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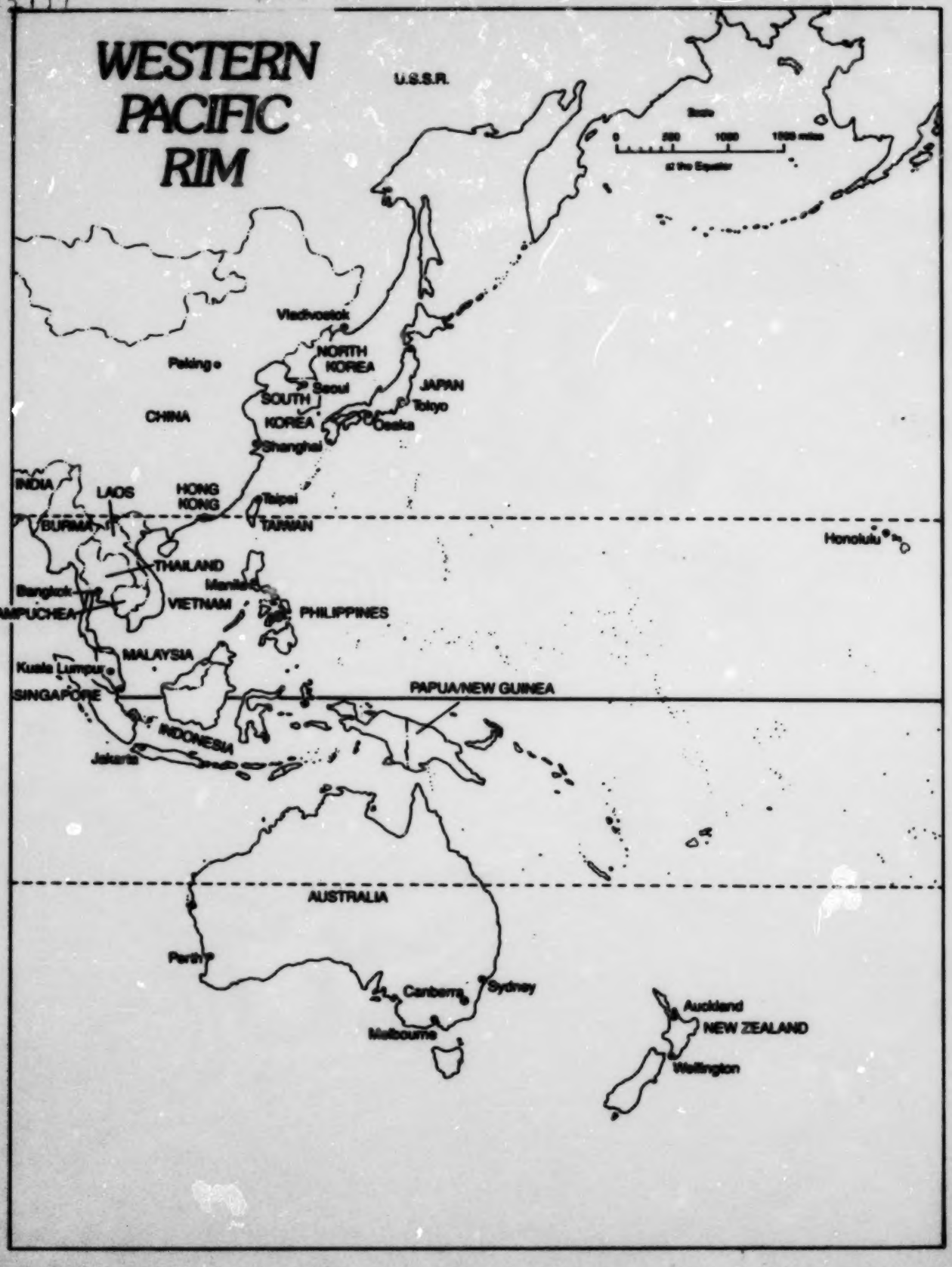
WESTERN PACIFIC RIM



PACIFIC RIM EXPORT MARKETS

Country Profiles
A British Columbia Perspective

May 1984

Province of British Columbia
Ministry of Industry and Small Business Development
Honourable Don Phillips, Minister

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SECTION I

A. INTRODUCTION

The relatively rapid growth of industrialized nations in the Pacific Rim has been an important development which will increase the significance of this region to Canada's trade relations. In 1982, Pacific Rim countries (excluding the USA) took more than 11% of Canada's exports, a share that is expected to grow significantly during the 1980's. Japan, in particular, has been a major force in this area's economic development. This country now has the second largest economy in the world, and is Canada's second largest trading partner.

This is the second publication by the British Columbia Government in the past three years on the Pacific Rim, succeeding Pacific Rim Export Markets in 1981. This document testifies to the increased importance the Province places on Pacific Rim trade development and on regional trade perspectives rather than bilateral trade balances.

PURPOSE OF THIS PUBLICATION

a) to describe British Columbia's current economic and trade policy interests in the Pacific Rim and their relation to Canadian trade policy;

b) to provide current economic profiles of some of the key countries in the region for the use of the business community and others with an interest in the Pacific Rim. Most of these profiles were prepared within the last six months for provincial economic missions, visits by foreign delegations, etc., so their length and format varies;

c) to provide a description of countertrade, which has become a topical subject in trade circles both globally and in the Pacific Rim, drawing from an internal Ministry review of this matter.

B. BRITISH COLUMBIA EXPORT PERFORMANCE: 1972 TO 1982: A DECADE OF CHANGING TRADE INTERESTS

MARKET AND SECTOR CHANGES

British Columbia's export performance over the period 1972 to 1982 shows not only strong growth (from $2.7 billion in 1972 to $8.7 billion in 1982) but important changes in market shares and the export mix. British Columbia's reliance on the U.S. market declined significantly. This fall in market share has been compensated, to a large extent, by the growth of Japan's market share and by diversification towards nontraditional markets. The importance of the U.S. market to British Columbia as compared to Canada as a whole differs significantly. British Columbia's reliance on the U.S. market declined from 58.5% of our exports in 1972 to 44.2% in 1982. (See Table 1.) These percentages compare to 69.3% in 1972 and approximately 70% in 1982 for Canada as a whole.

In 1972 lumber accounted for 33% of British Columbia exports; declining by 1982 to just 21% of total exports. The reduced reliance on the U.S. market for forest products exports is reflected in the further development of the Japanese, EEC, and nontraditional markets. (See Table 2.) In the mineral sector, the market shares of the U.S., Japan and the EEC have all declined from 1972 to 1982, showing the growing importance of markets in developing countries. Copper moved from British Columbia's third largest export to eighth while coal moved from eighth to third.

The products that make up British Columbia's remaining exports include other forestry-based products (7.6%), other non-ferrous metals (7.5%), electricity, and diversified end products such as trucks and prefabricated buildings. Exports from high technology industries and the service sector are small but offer significant potential for the future. In addition to product exports, revenues from tourism amounted to $2 billion in 1982, a quarter of which came from outside Canada.

C. BRITISH COLUMBIA'S EXPORT MARKETING STRATEGY

The market and sector changes described above underline the importance to British Columbia of enhancing political and trade ties with the Pacific Rim. Because British Columbia accounts for about 45% of Canada's exports to this region, Canadian policies towards the Pacific Rim will have a profound impact on British Columbia's future. The province's policy is to continue to develop our interests in the Pacific Rim by (a) developing an export strategy for the region; (b) seeking areas of mutually beneficial economic cooperation; and (c) seeking a wider role for the Province in the formulation of Canadian Pacific Rim policy.

British Columbia's interest in seeking areas of mutual economic cooperation with Pacific Rim countries falls naturally from the Province's responsibility for industrial development. Enhancement of foreign trade and investment are of critical importance to development objectives.

The Pacific Rim traditionally has had a strong place in British Columbia's trade promotion and trade development activities. Preparations for Expo '86 and other Provincial initiatives reflect this orientation. In determining Provincial trade missions, planning and organization are carried out in close cooperation with the Federal Government via the Department of External Affairs and its posts abroad. British Columbia missions usually fill gaps in the federal mission and trade show program. In other provincial activities, maximum effort is given in providing support material for private sector economic groups such as the Pacific Basin Economic Council (PBEC), and the Canada-Japan Business Cooperation Conference (CJBCC).

Broader public awareness of cultural, educational, and social developments in the Pacific Rim is of great importance to Canada. The joint initiative to establish the Asia-Pacific Foundation arose in part from the desire to

heighten public awareness of Canadian Pacific Rim interests. Now that the Foundation has received funding from the federal government and British Columbia, it is hoped it will increase public interest in the Pacific, as well as coordinate and support the growing range of Canadian cultural social and educational exchanges with Pacific Rim countries.

D. THE PACIFIC RIM - A REGIONAL PERSPECTIVE

New economic dialogue on the Pacific Rim recognizes that we must view the region as an interdependent whole - not as the sum of bilateral relationships. This recognition is of more than academic importance - dangerous policy prescriptions such as the domestic content recommendation in the auto industry or quota restrictions on clothing imports from developing countries stem from an incorrect perspective of where Canadian interests lie.

A narrow perspective is often taken on Canada's Pacific Rim trade relations and, as a result, bilateral or 'sectoral' imbalances are often focused upon. In this process, the larger benefits of common trade and economic interests are forgotten, to the detriment of all. Two observations are of special concern to British Columbia.

First, the perceived threat posed by Japan's recent economic performance and burgeoning trade surplus overstates and misconstrues the risks apparent to Japan's trading partners. Recent harsh sentiments towards Japan are particularly inappropriate for Canada given our trade surplus with that country. Such sentiments are only superficial justification for protectionism and present long term dangers to increased foreign market access and the multilateral trade and payments system.

Second, excessive concern has been raised about bilateral trade balances within certain sensitive sectors. Focusing on the deficit in end products trade is misleading. 'Imbalances' are a normal feature of international trade, as are 'deficits' in Canada's bilateral trade with certain countries. Given Canada's factor endowment, it is not surprising that the natural resource sectors attract a greater share of capital and account for a large share of the country's economic activity and export composition. Thus, we do not need and should oppose balanced trade within sectors as a policy objective - where would we be if the United States sought this in forest products or in recent automotive trade? As another example, our large trade surplus with Korea is conveniently overlooked when clothing and footwear imports are being discussed.

Further, focusing on trade in end products to the exclusion of other manufactured goods (e.g. intermediate products) is artificial and implies that there are greater income and employment benefits with the former - a position which has not been demonstrated. Moreover, figures on end products trade often exclude the highly processed products of resource producers.

Canada needs a broad, long range and balanced approach to our Pacific economic relations. A positive commitment to fully develop areas of economic and trade cooperation between Canada and its Pacific Rim trading partners is necessary to enhance Canada's future and the future of the Pacific region.

E. CANADIAN TRADE POLICY IN THE 1980'S

Despite the problems noted above, the Federal Government has published a document, "Trade Policy in the 1980's," which makes a number of positive points, the key ones being a recognition of the central role trade plays in the Canadian economy and of the importance of the multilateral trading framework.

If Canada is to really take advantage of the opportunities in the Pacific Rim, its trade policies must:

a) Recognize resource development as the major basis for Canadian economic and industrial development. Where economically viable, further processing of resources should be encouraged. Such a strategy would be consistent with the Federal Government's own budget paper "Economic Development for Canada in the 1980's";

b) Work to preserve Canadian market access abroad and to improve access where lacking. In difficult economic periods, retention of existing levels of market access should become a strong priority. The importance of increased market access through trade negotiations, however, should also be stressed. Expanding internationally competitive sectors, rather than restricting or managing import levels, should remain the primary theme in such negotiations;

c) Recognize Canada's dependence on an open multilateral trading environment for economic and industrial renewal and endorse full Canadian participation in the multilateral (GATT/MTN) framework as the chief vehicle to preserve and expand market access;

d) View bilateral approaches and agreements with caution, applicable only to certain limited circumstances where multilateral arrangements are not feasible or relevant. In this regard the Review's focus on sectoral arrangements with the U.S. was of some concern. British Columbia believes that the Canada-U.S. relationship must be put on a sound footing without jeopardizing relations with our other trading partners;

e) Seek to increase two-way trade between Canada and the less developed countries (LDC's). This step would provide new opportunities for Canadian exports, especially in the Pacific Rim, and would encourage LDC participation in GATT. Not to do so would seriously jeopardize an important prospect for strong future trade growth;

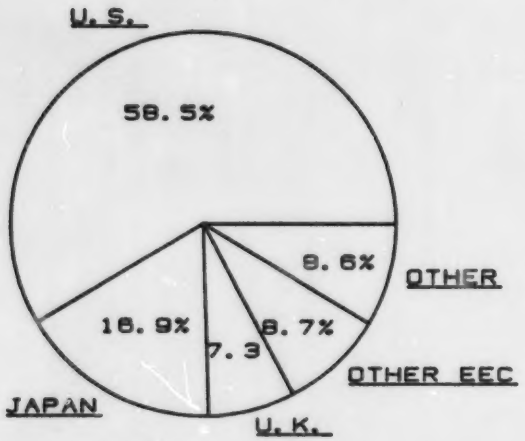
f) Seek a commitment to establish effective international safeguard mechanisms and encourage wider international agreement on the use of positive adjustment programs as a prerequisite for further growth in world trade. Canada should move quickly to strengthen its own positive adjustment mechanisms and options;

g) Take into account and be consistent with Canada's major economic policies; and

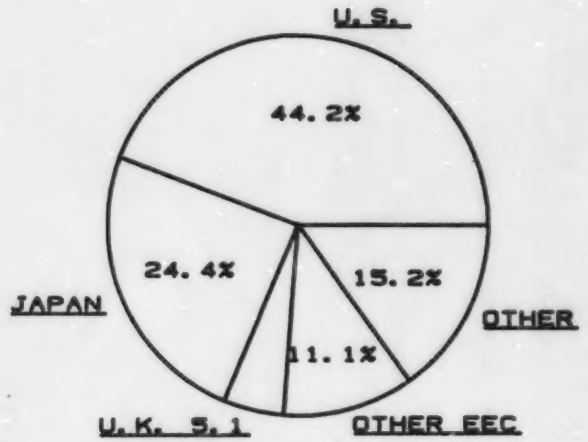
h) Reflect the consultative process and take into account regional patterns of trade interest across Canada, including British Columbia's unique dependence on the Pacific Rim.

Table 1

MARKET SHARES OF BRITISH COLUMBIA EXPORTS, 1972 AND 1982



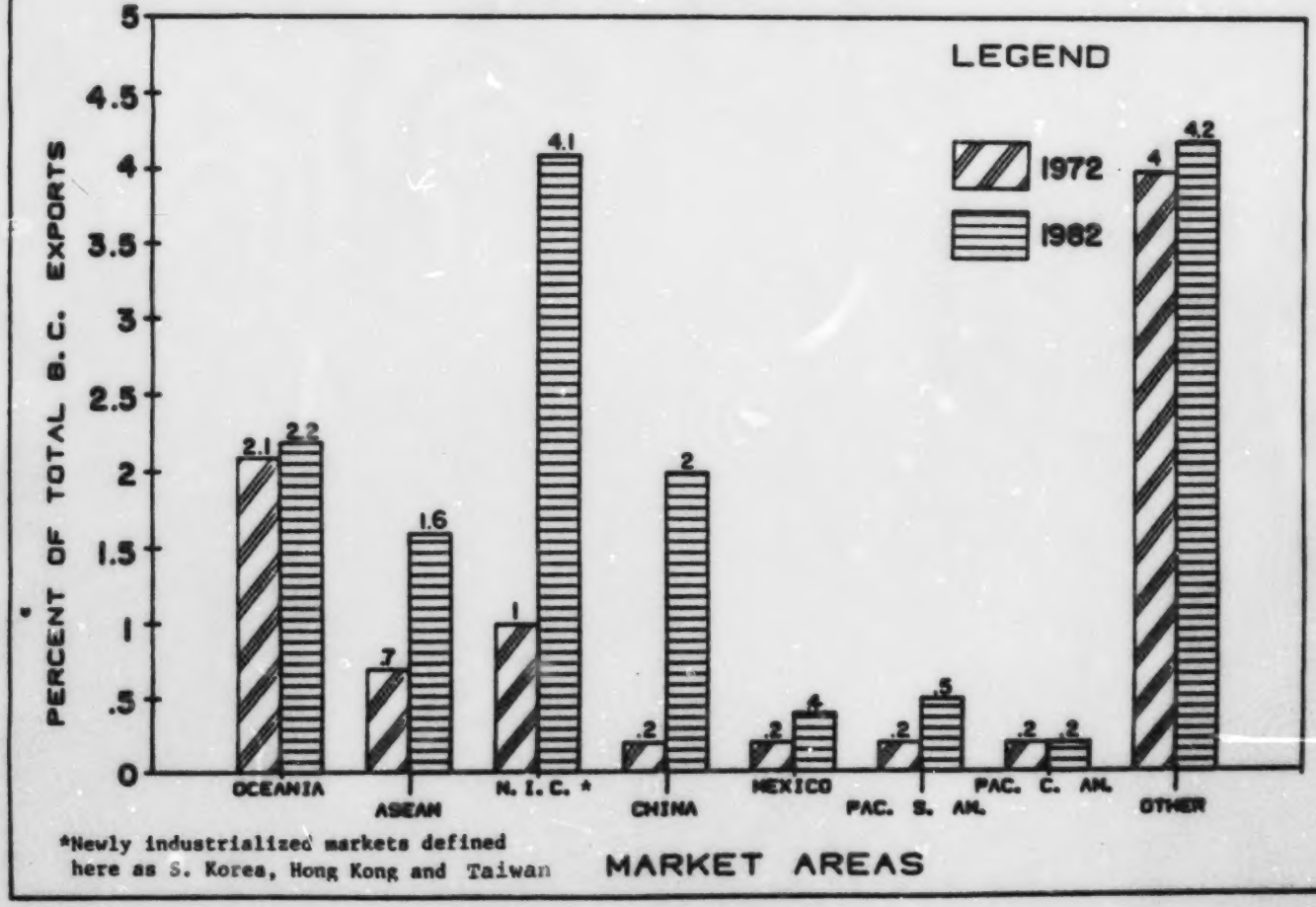
1972 EXPORTS = $2759 M



1982 EXPORTS = $8756 M

Table 2

MARKET SHARES OF BRITISH COLUMBIA EXPORTS TO NONTRADITIONAL MARKETS, 1972 AND 1982



*Newly industrialized markets defined here as S. Korea, Hong Kong and Taiwan

SECTION II

COUNTRY PROFILES

AUSTRALIA

AUSTRALIA FACT SHEET

Head of State:	H.M. Queen Elizabeth II
Governor General:	Sir Ninian Stephen, KBE
Government:	Majority labour government in both the Senate and the House of Representatives
Prime Minister:	Mr. Robert Hawke
Population (mid-1982)	15,174,700
Area:	7,682,300 square kilometres
Major cities (population 1980)	Sidney 3,280,900 Melbourne 2,803,600 Brisbane 1,086,500
Gross Domestic Product (1981-82)	A $145,576 million US $157,709 million
GDP Growth Rate:	1980: 1.5%; 1981: 4.1%
Total Employment (per '000 persons at August 1982)	6,347.6
Unemployment rate (May 1983)	10%
Inflation (1983):	11%
Exports (1982):	US $22,077 million
Imports (1982) (fob):	US $24,073 million
Australia-Canada Trade (A $1981-82): (US $):	 $1,187,453,000 $1,286,427,000
B.C. Exports to Australia (1982 Can $):	$164,862,140

Exchange rate 1.20 $A/$Can

I. AUSTRALIA: THE COUNTRY

A. GEOGRAPHY AND POPULATION

1. Australia covers 7,682,300 sq. km.. From east to west it is about 3,800 km. wide and from north to south it is about 3,130 km. long. Thirty-nine percent of Australia's land mass lies within the tropics. The North Australia coastal region, excepting the Queensland area, is subject to tropical monsoons producing wet summers and dry winters. In South Australia, winter is the wetter season, though total rainfall is low as one moves away from the coast. Temperatures are very high in most areas of the country during the summer months (excepting possibly the southeast) and much of the country's interior is characterized by arid or semi-arid regions.

2. The estimated population of Australia in June, 1982, was 15,174,700. Average population density is only 2 people per sq. km.; however, 62% of Australia's population is concentrated in two states: New South Wales and Victoria.

B. GOVERNMENT

1. Australia, like Canada, is a constitutional monarchy consisting of Her Majesty the Queen (represented in the federal government by the Governor-General), the House of Representatives, and the Senate. The Australian Senate is made up of 64 members: 10 senators from each state plus two from the Northern Territory and two from the Capital Territory. Senators are elected for a term of six years, and, under normal circumstances, half of the Senate is eligible for election every three years. The Senate may be dissolved and an entirely new Senate elected, however, in the case of disagreement with the House of Representatives. The Australian House of Representatives is presently composed of 125 members - roughly double the number of senators. It continues for three years from the date of its first meeting, unless forced to dissolve.

2. The responsibilities of the federal government in Australia include trade and commerce, shipping, taxation, finance, banking, currency, bills of exchange, bankruptcy, insurance, defence, external affairs, naturalization of aliens, quarantine, immigration and emigration, railways, social services, marriage and divorce, service and execution of civil and criminal process, and arbitration of disputes between states. If there is a conflict between state and federal law, federal law takes precedence.

3. Australia's regional government is made up of 6 state governments and two territorial governments. Australia's states (New South Wales, Victoria, Queensland, South Australia, Western Australia, and Tasmania) have governments similar to the federal system. The Sovereign is represented by a governor, and parliament consists of an upper and lower house (excepting Queensland where the upper house was abolished). State government responsibilities include education, health, hospitals, and charities; law, order, and public safety; business undertakings such as railways; and some public

utilities. Of Australia's territories, the Northern Territory became self-governing in 1979 while the Capital Territory is administered by the federal government.

4. At the present time the Australian Federal Senate consists of 24 members from the Liberal Party, 4 from the National Party, 30 from the Labour Party, and 6 from other parties. The House of Representatives is made up of 75 members from the Labour Party, 33 from the Liberal Party, and 17 from the National Party. Australia's Prime Minister is Mr. Robert Hawke. He came to office as leader of the Labour Party after a general election in March, 1983. He should retain power until at least 1986. Major problems facing Mr. Hawke's government include a rapidly rising federal budget deficit and historically high rates of inflation and unemployment. These same factors were instrumental in the defeat of the last Labour government in 1975.

II. AUSTRALIA: THE ECONOMY

A. DOMESTIC ECONOMY

1. The Australian economy has undergone large structural changes within the last 25 years. In 1956-57, agriculture accounted for 14% of GDP, manufacturing accounted for 29%, services accounted for 47%, and mining accounted for less than 2%. In 1980-81 agriculture and manufacturing had contracted to 7% and 19.5% respectively, while the service sector had grown to 61% and the mining sector to 5.1%. The changes in Australia's economic base have largely been the result of significant mineral discoveries (particularly coal, oil and natural gas, and iron ore) as well as a general long term growth of community and financial and business services. In future years these trends are likely to continue as new mineral production comes on stream and as the effects of the world recession decline.

2. Economic growth in Australia has exceeded that of most OECD nations during recent years, but falling domestic demand and declining prices for some export commodities led to a serious recession over the 1981 to 1983 period. From 1981 to 1982 real GDP growth fell from 4% to .1%. The recession was also reflected by a rise in the unemployment rate from 5.6% in 1981 to a disturbing 10% in May of 1983. Increases in consumer prices, however, continued at a surprising rate of 11.2% over 1983. Accelerating wage increases, especially in the manufacturing sector, and the 10% devaluation of the Australian dollar last March are thought to be principal reasons for this price spiral. A drought during the 1982-83 growing season, which reduced agricultural production by 18%, may also have had a significant impact.

B. GOVERNMENT POLICY

1. The Australian government came to power facing serious inflation and employment problems and a budgetary deficit of about $A 4.5 billion. Since taking power, labour government policy has been outwardly directed towards stimulating economic growth and maintaining a climate favourable for investment.

The deregulation of Australian financial markets, floating the Australian dollar, and the removal of foreign exchange controls were major initiatives introduced to achieve these ends. Critics of government policy state that control of fiscal and monetary policy, however, has been much too lax. Monetary growth during 1983 has been estimated at about 13%. It is argued that inflationary pressures resulting from this level of growth will affect Australia's competitive edge in some industries. The growing public sector deficit may also have longer term effects on Australian capital markets.

C. EXTERNAL TRADE

1. Five primary products accounted for about 41% of total merchandise exports (A$ 21.7 billion) in 1982. These were coal ($2.4 billion), wheat ($2 billion), wool ($1.9 billion), iron ore ($1.4 billion) and beef ($1.3 billion). Major imports into Australia included machinery and transport equipment, mineral fuels and lubricants and miscellaneous basic manufactures. Australia's largest trading partner during 1981-82 was Japan, with two-way trade totaling $A 9.8 billion, followed by the United States ($7.4 billion), the U.K. ($2.4 billion), Germany ($1.8 billion), and New Zealand ($1.8 billion).

II. CANADA-AUSTRALIA TRADE RELATIONSHIP

1. The Canadian and Australian economies are quite similar in that both are heavily dependent on primary industries for a large portion of their export earnings. Though this commonality makes Canada and Australia competitors in some markets, it also provides many opportunities for trade. Canada has consistently maintained a large trade surplus with Australia in recent years. During this decade resource development in Australia should provide many market opportunities for Canadian equipment manufacturers and service industries, especially in regard to energy and mining.

CANADIAN EXPORTS TO AUSTRALIA

	(C$ thousands) 1982	1983
Lumber, softwood	53,713	43,804
Sulfur	58,234	37,878
Wood pulp and similar pulp	27,744	26,508
Fertilizers and fertilizer materials	22,129	21,930
Newsprint paper	33,860	20,406
Motor vehicle parts except engines	37,085	19,851
Other telecommuniction and related equipment	10,497	18,469
Office machines and equipment	19,530	15, 624
Fish, canned	14,879	13,879
Other personal and household goods	19,233	11,311
Other	351,689	208,355
Totals	648,593	437,966

CANADIAN IMPORTS FROM AUSTRALIA

	(C$ thousands) 1982	1983
Misc. metals in ores, concentrates and scrap	108,955	82,217
Raw sugar	115,167	76,589
Aluminum ores, concentrates and scrap	61,915	56,153
Meat, fresh, chilled or frozen	62,657	46,790
Fruits, dried or dehydrated	20,873	23,112
Plate, sheet and strips, steel	2,650	4,924
Other meat and meat preparations	6,677	4,783
Wool and fine animal hair	2,686	4,100
Other special transactions, trade	4,839	4,089
Other	52,539	50,016
Totals	443,632	357,487

ESTIMATED BRITISH COLUMBIA EXPORTS TO AUSTRALIA

	(C$ thousands) 1981	1982
Newsprint paper	26,721,269	30,672,464
Lumber, cedar, nes	26,017,563	25,560,000
Lumber, Douglas fir and western larch	34,286,181	21,274,474
Wood pulp, bleached kraft paper grade soft	14,401,064	15,450,723
Wood pulp, sulfate, unbleached paper grade	12,468,196	9,576,829
Asbestos, milled fibres, groups 4 & 5	10,345,369	7,937,999
Salmon, sockeye, canned	12,301,206	6,515,995
Lumber, western hemlock and Amabilis fir	8,898,357	5,492,562
Salmon, pink, canned	7,255,387	5,040,651
Sulfur, crude or refined, nes	2,074,827	3,507,170
Other	42,978,380	33,833,273
Totals	197,747,799	164,862,140

CHINA

CHINA FACT SHEET

		units	China	B.C.
1.	Area	(million ha)	957[1]	95.0
2.	Population (1982)	(million)	1032	2.7
3.	Labour force (1982)	(million)	437[2]	1.3
4.	Unemployment (1981)	(percent)	2.6[3]	6.7
5.	Inflation (CPI, 1981)	(percent)	2.5	14.3

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1. Includes Taiwan.

2. Includes males (16-60 years) and females (16-50 years) only. Urban labour force 117 million; rural labour force 320 million (1982 est.)

3. Urban unemployment rate.

I. CHINA: THE COUNTRY

A. PHYSICAL FEATURES, POPULATION, MAJOR CITIES

1. China, by area, is the third largest country in the world. Its 9.6 million km^2 (including Taiwan) is exceeded only by that of the U.S.S.R. (22.4 million km^2) and Canada (10 million km^2). The northernmost part of China is equivalent in latitude to the northern tip of the Queen Charlotte Islands; the southernmost part is equivalent to that of the southern end of Cuba. The distance between east and west is similar to the distance between Quebec City and Victoria (about 5,200 km).

2. China is the most populous country in the world. U.S. Department of Commerce estimated that China's population in 1976 was 950 million. The July 1982 census recorded an official population of 1.032 billion. The labour force, defined as males (16-60 yrs.) and females (16-50 yrs.), was estimated to be 437 million in 1981. China's rural/urban population ratio is approximately 80/20. Regional population estimates are in Table 1.

3. There are more than 20 cities with populations of over one million in China. The ten cities with the greatest population are listed in Table 2.

B. GOVERNMENT AND ADMINISTRATION

1. For administrative purposes, China is composed of 22 provinces (including Taiwan), 5 autonomous regions, and 3 centrally administered municipalities (Beijing, Shanghai, and Tianjin). Relative to the central government, these 30 administrative units have similar hierarchial status. Provinces and autonomous regions are subdivided into counties which, in turn, are divided into communes.

2. In early 1982, a major consolidation of the central administrative agencies was undertaken in China. Ninety-two national ministries and commissions were eventually reorganized into 41. The State Council, the central administrative agency in China, is now composed of representatives from the 7 national commissions, 33 ministries, the People's Bank of China, and the premier, vice-premiers (2), secretary of state and 10 state commissioners. The State Council is headed by the premier, Zhao Ziyang.

TABLE 1: REGIONAL POPULATION IN CHINA (1982)

Region	Est. Population (million)	Percent
1. Northeast	93.3	9.0
2. North	117.4	11.4
3. East	303.1	29.4
4. Central-South	279.6	27.1
5. Southwest	167.4	16.2
6. Northwest	71.2	6.9
Total	1,032.0	100.0

Source: F.M. Kaplan et al, Encyclopedia of China Today, Harper and Row, New York, 1980.

TABLE 2: ESTIMATED POPULATION OF MAJOR CITIES IN CHINA (mid-1970's) (millions)

City	Pop.	City	Pop.
1. Shanghai	12.3	6. Shenyang	4.4
2. Beijing (Peking)	8.5	7. Luda	4.2
3. Tianjin (Tientsin)	7.3	8. Chengdu	3.6
4. Chongqing	6.0	9. Wuhan	3.5
5. Guangzhou (Canton)	5.0	10. Nanjing (Nanking)	3.0

Source: Kaplan et al.
The Stateman's Year Book 1981/82, The MacMillan Press, London, 1981.

II. CHINA: THE ECONOMY

1. China is primarily an agricultural country as close to 80% of the nation's population are involved in different aspects of food production. Economic planning, including trade policy, reflects the fundamental importance of agriculture, and much of China's industrial production is directed towards supporting this sector.

2. By value of production, the Chinese economy has the following major components:

TABLE 3
COMPOSITION OF CHINA'S ECONOMY
(ranked by value of production, 1981)

	Sector	Percent of Production
1.	Industry	44.0
2.	Agriculture	42.0
3.	Construction	4.0
4.	Transport	3.0
5.	Commerce	7.0
	Total	100.0

Source: China: Recent Economic Trends and Policy Developments, The World Bank, Washington, D.C. March, 1983.

3. The government's sixth 5-year plan (1981-1985), published in late 1982, emphasized the continuation of previously announced economic priorities: incentives (including price incentives) for increased agricultural output; moderate growth rate for consumer goods output (light industry); slower growth rate for industrial goods output (heavy industry); expansion of foreign trade, with imports to increase at a faster rate than exports.

III. CHINA: EXTERNAL RELATIONS

1. From 1978 to 1982, China expanded its foreign trade (imports and exports) by about 100% to more than U.S. $40 billion. China's largest trading partner is Japan; two-way trade between China and Japan amounted to over U.S. $8.6 billion in 1982. The China/Japan economic relationship is strong and formalized through regular conferences of the Japan-China Long-Term Bilateral Agreement Council. China's main trading partners and major imports are listed in Tables 4 and 5.

TABLE 4: CHINA'S MAJOR TRADING PARTNERS (1982)

	-------Imports-------		-------Exports-------	
Country	$ Amount (US $million)	% of Imports	$ Amount (US $million)	% of Imports
U.S.A.	4,244	22.7	1,741	8.0
Japan	3,859	20.6	4,756	22.0
Hong Kong	1,297	6.9	5,117	23.7
Canada	1,224	6.5	169	0.8
Germany	955	5.1	763	3.5
Australia	903	4.8	221	1.0
All Others	6,212	33.2	8,865	41.0
Total	18,694	100.0	21,632	100.0

Source: Direction of Trade Statistics, 1983, International Monetary Fund, Washington, D.C., 1983.

TABLE 5: MAJOR IMPORTS INTO CHINA
(Ranked by Value, 1981)

Item	$ Amount (US $million)	% of Imports
Cereals	2,736	14.0
Cotton	1,456	7.5
Steel Products	1,362	7.0
Chemical fertilizer	1,092	5.6
Chemicals	991	5.1
Wood products	898	4.6
...paper	340	1.7
...pulp	291	1.5
...lumber	267	1.4
Synthetic fibres	847	4.5
All others	10,073	51.7
Total	19,482	100.0

Source: China: Recent Economic Trends and Policy Developments, The World Bank, Washington, D.C., March, 1983.

2. **COUNTERTRADE** (CT) is the name applied to a range of transactions in which the importer's potential purchase depends on a reciprocal purchase by either the exporter or a third party acting on his behalf. Definitions of CT transactions include:

Barter: A simple exchange of goods, concluded over the short term, with no cash payment involved, and is transacted under a single contract.

Switch: One country uses its surplus with a second country as the CT condition in order to receive payment for exports from a third country. In essence, it involves the transfer of an existing obligation to a third party.

Counterpurchase: A two-way undertaking in which the exporter agrees to take a purchase negotiated percentage of goods and/or services in return. Most commonly it involves two separate contracts, linked by a protocol, wherein the original exporter receives cash payment but must then buy, in turn within a stated period of time, the predetermined quantity of goods.

Compensation: Compensation arrangements usually apply to large-scale, long-term undertakings. In exchange for supply of complete equipment, plants, etc., the exporter receives payment, over subsequent years, in whole or in part production from the newly established facility.

Co-operation: Industrial agreements may include R & D co-operation, co-production, joint third-country marketing, subcontracting, etc.

3. With respect to the People's Republic, the issue of countertrade usually arises in the context of joint ventures or cooperative production

undertakings which are becoming an increasingly important factor in expanding Canada-China bilateral trade. While import decisions relating to commodities and semi-finished materials continue to be based principally on normal commercial considerations such as price, quality, delivery and financial terms, this is no longer the case when it comes to fully manufactured goods and particularly for purchases related to major projects. The Chinese now insist that machinery and equipment also be state-of-the-art technology, be limited to items or components that China is unable to produce internally, and, in order to ensure the additional benefit of acquiring the latest in manufacturing know-how, be produced in China by a joint venture or co-production undertaking if at all possible.

4. The basic policy for a cooperative enterprise in China is that (A) the Chinese provide land, buildings, labour and administrative support while the foreign investor provides sophisticated manufacturing equipment or the capital for its purchase, essential raw material, components or parts and modern process/manufacturing technology. (B) Direct control of the enterprise remains with China and on expiry of the contract (normally ten years), all plant and equipment revert unconditionally to Chinese ownership. (C) Profits and losses are borne proportionally by both participants according to their degree of participation. (D) Foreign participants receive the final product in repayment for their investment. When the investment is considered to have been repaid, foreign participants can continue to obtain products but under a new contract agreeable to both parties. (E) Cooperative production is similar to joint venturing except that the items produced are mainly for export sale on the international market.

5. Given the criteria, it is not surprising that negotiating a joint venture/cooperative production agreement can be a long and arduous task or that few have been concluded either by Canadian companies or those of other countries. The Government of British Columbia recognizes that the mechanics of carrying out countertrade activity are best left to the private sector. However, the Province is committed to providing information, assistance and guidance to parties interested in countertrade.

Source: The Vancouver Board of Trade, "Countertrade Developments in Canada: The Vancouver Board of Trade's Role," October 1983.

IV. CHINA:CANADA ECONOMIC RELATIONSHIP

A. CURRENT TRADE RELATIONSHIP

1. Canada-China economic relations have expanded considerably since the establishment of diplomatic relations between the two countries in 1970. Under a trade agreement initially signed in 1973 and renewed for three years in 1977, 1979 and 1982, Canada and China grant each other Most Favoured Nation (MFN) trading status. In addition, an Economic Cooperation Protocol governing increased bilateral activity in a number of sectors was signed in 1979 as an addendum to the trade agreement.

2. In 1982 Canada's exports to China amounted to $1,229.5 million, 22.4% above the previous year's level. Imports from China amounted to $203.7 million, 7.4% below the 1981 level.

3. Wheat is by far the leading commodity exported to China from Canada with sales in 1982 amounting to $736.6 million, close to 60% of the total value of exports. Aluminum ($190.2 million) and wood pulp ($89.1 million) are other dominant commodity exports.

4. Outerwear (except knitted) is Canada's leading import from China, with a value of $38.5 million in 1982. Other leading imports include house furnishings ($24.9 million), other apparel and apparel accessories ($16.0 million), other vegetables and vegetable preparations ($14.8 million), cotton broad woven fabrics ($13.5 million), and knitted outerwear ($12.9 million).

5. Canada's large surplus trade balance with China - over $1 billion in 1982 - has, in the past, been a barrier to closer trade links between the two countries due to China's preference for balanced bilateral trade.

6. Commercial relations with China are facilitated by the annual Canada/China Joint Trade Committee, which meets alternately in Ottawa and Peking. As well, the Canada-China Trade Council was founded in 1978 to assist Canadian exporters and importers in doing business with China.

TABLE 6: CANADIAN EXPORTS TO CHINA

	($000) 1982	1981
Wheat	736,562	686,558
Aluminum, including alloys	190,224	3,340
Wood pulp and similar pulp	89,137	88,454
Synthetic rubber and plastic materials	49,982	20,897
Sulphur	41,449	28,087
Plate, sheet and strip, steel	26,945	4,771
Zinc, including alloys	20,289	---
Other crude wood products	19,528	817
Newsprint paper	10,477	37,307
Lumber, softwood	9,116	4,195
Other	35,744	130,395
Total	1,229,453	1,004,821

TABLE 7: CANADIAN IMPORTS FROM CHINA

	($000) 1982	1981
Outerwear, except knitted	38,489	36,238
House furnishings	24,944	27,215
Other apparel and apparel accessories	16,009	14,744
Other vegetables and vegetable preparations	14,818	9,763
Broad woven fabrics, cotton	13,461	16,955
Outerwear, knitted	12,913	7,384
Broad woven fabrics, mixed fibres	11,268	11,624
Nuts, except oil nuts	10,609	9,721
Kitchen utensils, cutlery tableware	7,006	6,037
Footwear	5,309	5,492
Other	48,828	74,840
Total	203,654	220,013

B. OPPORTUNITIES FOR INCREASED TRADE

1. Near-term opportunities for Canadian manufacturers in the Chinese market appear more promising than they have in recent years.

2. With recent improvements in Peking's fiscal situation and the recognition that there are significant infrastructure difficulties which hamper modernization, the Chinese are expected in the coming years to devote significant resources to energy, transport and communications, natural resource exploitation, and selective industrial modernization.

3. Opportunities should be present for Canadian suppliers of hydro power equipment, oil and gas equipment, ports design and equipment, communications equipment especially in telecommunications, micro-systems and earth stations, aircraft and ground support for airport installations, mining and forestry equipment, agricultural machinery, and high technology manufacturing processes.

4. During 1983 China showed interest in undertaking direct investment in Canada, particularly in resource-related fields. This interest came as a result of its desire to secure stable, long term access to natural resource supplies and foreign expertise. The Canadian resource sectors in which the Chinese appeared to have the most interest were forest products and fertilizers; other sectors of interest to them included iron ore mines, aluminum industries, and fisheries industries. China was also exploring investment opportunities in Australia, Africa, South East Asia and South America.

V. CHINA:BRITISH COLUMBIA ECONOMIC RELATIONSHIP

1. British Columbia exports to China amounted to $173.2 million in 1982, an increase of 117% over the 1981 level of $79.8 million.

2. British Columbia's exports to China are dominated by resource-based products. Wood pulp is the leading product exported, having a value of $67.1 million in 1982. Other leading export products include aluminum ($51.0 million), zinc ($20.3 million), logs ($19.5 million), and lumber ($9.9 million).

3. In line with their desire to undertake direct investment in the resource-related sectors of western economies, Chinese officials showed some interest in 1983 in investing in British Columbia's pulp industry. Their interest in making such an investment declined in the latter part of the year due to unstable market conditions for pulp. However, the possibility for equity participation by the Chinese in British Columbia's resource industries in the future still exists.

TABLE 8: BRITISH COLUMBIA EXPORTS TO CHINA

	($000) 1982	1981
Wood pulp	67,063.4	65,863.2
Aluminum pigs ingots shot slabs, etc.	51,044.9	3,337.7
Zinc blocks, pigs and slabs	20,288.7	---
Logs	19,501.3	816.9
Lumber	9,896.4	4,194.6
Wrap paper, unbl. sulphite/sulphate	2,379.4	2,988.3
Coal	1,590.0	---
Sulphur, crude or refined	507.9	370.5
Shipping containers, textile	395.8	---
Steel castings nes	178.6	---
Other	354.5	2,229.9
Total	173,200.9	79,794.1

LOG EXPORTS

1. In 1982, 309,000 thousand cubic metres of logs, having a value of $19.5 million, were exported from British Columbia to China. These shipments represented close to one-quarter of the total amount of logs exported from British Columbia.

2. The British Columbia Government's policy on log exports dictates that export permits be granted only for those logs surplus to the province's domestic industry's needs.

IMPORT RESTRICTIONS/PROTECTIONISM

1. China is one of several low wage cost countries with which Canada has negotiated "voluntary" export restraints to limit exports of certain clothing and textile goods to Canada. Canada and other industrialized countries imposing similar restraints claim that they are necessary to reduce market disruption.

2. These import restrictions come under the jurisdiction of the Federal Government. However, the British Columbia Government is on record as opposing import restrictions on clothing and textiles as sector imbalances are simply the result of countries following their specific comparative advantage.

HONG KONG

HONG KONG FACT SHEET

Governor:	Sir Edward Youde
Government:	British Crown Colony
Population (1982):	5.3 million
Area:	1,055 sq. km.
Gross Domestic Product:	US $25.9 billion
GDP Growth Rate (1982):	2.4%
Inflation (1982):	10.6%
Unemployment Rate (April 1983):	5.2%
Exports (1983):	HK $104.4 billion
Imports (1983):	HK $175.4 billion
Official Exchange Rate (May 1983):	HK $6.07 = US $1

HONG KONG: GENERAL INFORMATION

A. GEOGRAPHY AND POPULATION

1. The area known as Hong Kong consists of Hong Kong and Lan Tao islands, the Kowloon Peninsula, and approximately 200 small islands off the South China coast. The terrain on most of Hong Kong's islands is extremely hilly. The area between Kowloon and Hong Kong island, however, offers one of the finest natural harbours in the world. The area surrounding this harbour is the centre of Hong Kong's bustling trade and commercial community. Hong Kong experiences hot, rainy weather from April to August and cool dry weather from September to March. Temperature ranges from 13°C to 17°C in February to 26°C and 31°C in July.

2. Ninety-eight percent of Hong Kong's 5.5 million people are of Chinese descent. Approximately 60% of these were born in Hong Kong. Cantonese and English are the official languages of Hong Kong.

B. GOVERNMENT

1. The Government of Hong Kong consists of the Governor, the Executive Council, the Legislative Council, and the Urban Council. The Executive Council is the highest consultative group. All important policy decisions involve consultation with this 15 member non-elected body. In many ways it resembles a Cabinet.

2. The Legislative Council is a 54 member group responsible for enacting legislation and approval of the budget. All of its members (except the Governor, who is a permanent member) are appointed by the Governor with the approval of the Secretary of State. Legislation from the Legislative Council becomes law after the approval of the Governor.

3. The Urban Council is a body of members from the public, 12 of whom are appointed by the Governor and 12 of whom are elected under a complicated, limited franchise. All members hold four year terms. The Urban Council is similar to a city council and is responsible for such duties as public health, business licenses, and management of museums, sports and the arts.

4. Hong Kong's present Governor is Sir Edward Youde. He is Hong Kong's 26th Governor and was appointed in April, 1982. The most pressing political issue is the uncertainty associated with the expiry of a 99 year lease with China for the "New Territories" which constitute much of the colony's land mass other than Hong Kong Island. This lease expires in 1997.

HONG KONG: THE ECONOMY

1. Due to a lack of natural resources and a plentiful supply of low cost labour, Hong Kong is an export oriented economy. During 1982 Hong Kong's GDP was approximately $25 billion and exports were US $21 billion and imports were US $23.5 billion. The bulk of Hong Kong's exports are manufactured goods. Manufacturing makes up approximately one-quarter of GDP and employs about one-third of Hong Kong's labour force. Key manufacturing industries include clothing and textiles, electronics, metal products, and toys.

2. Hong Kong is also a major finance and insurance centre and a centre for tourism. Hong Kong is in competition with Singapore as the major financial and business service centre of the Far East.

3. During 1982 economic growth in Hong Kong was relatively depressed. GDP growth was constrained to 2.4%, one-quarter the rate recorded in 1980 and 1981. Inflation was over 15% per year in both 1980 and 1981 but fell to 10.6% in 1982 due to the effects of the world recession. In April 1983 the unemployment rate was 5.3%.

EXTERNAL POSITION

1. In 1982 Hong Kong's major trading partner was the United States with combined two-way trade of HK $45.6 billion. Other traditional major trading partners were Japan, and the Federal Republic of Germany. China has also become a major trading partner in recent years. Imports from China in 1982 totaled HK $32.9 billion. Total exports from Hong Kong were HK $104.4 billion while imports were HK $175.4 billion.

EXPORTS OF CANADIAN PRODUCTS TO HONG KONG

	(c$ thousands) 1981	1982
Aluminum, including alloys	16,224	64,792
Nickel and alloys	18,392	19,895
Synthetic rubber and plastic materials	13,073	15,368
Aircraft, with engines	0	15,238
Telecommunications & related equipment	8,301	13,972
Newsprint paper	10,158	12,358
Oils, fats, waxes, extracts derivative	12,237	10,418
Wood pulp and similar pulp	13,261	9,839
Coal	0	7,799
Oil seeds, oil nuts, kernels	5,496	5,688
Other	86,992	72,918
Total	184,134	242,597

CANADIAN IMPORTS FROM HONG KONG

	(c$ thousands) 1981	1982
Outerwear, except knitted	129,553	131,511
Games, toys and children's vehicles	60,345	95,099
Outerwear, knitted	70,578	70,216
Watches, clocks, jewellery, silverware	54,470	58,679
Misc. equipment and tools	35,032	39,977
Television, radio sets & phonographs	33,677	32,314
Other apparel & apparel accessories	33,254	27,351
End products, inedible	26,192	22,578
Fish and marine animals	12,854	16,820
Other	218,580	174,394
Total	674,535	668,839

BRITISH COLUMBIA EXPORTS TO HONG KONG

	(c$ thousands) 1981	1982
Aluminum pigs, ingots, shot slabs, etc.	15,785.0	59,182.0
Wood pulp	11,879.1	9,513.0
Coal	-	6,100.0
Newsprint paper	7,123.7	5,547.5
Groundwood printing paper, nes	2,819.0	2,030.0
Zinc blocks, pigs and slabs	1,858.1	1,803.1
Apples and crab-apples, fresh	1,285.3	1,506.2
Sanitary paper	544.6	838.9
Feed concentrates & complete feed, nes	772.2	724.0
Fur goods apparel mink	721.0	541.5
Other	7,307.8	5,753.0
Total	50,095.8	93,529.2

INDIA

INDIA FACT SHEET

Head of State:	Giani Zail Singh
Government:	The Congress Party led by Indira Ghandi has a majority of seats in both the upper and lower houses of India's Parliament
Prime Minister:	Mrs. Indira Ghandi
Population:	715 million
Area:	3.3 million sq. km.
Major cities:	Calcutta (7 million) Bombay (6 million) Dheli (3.6 million) Madras (3.2 million)
GNP per capita:	US $212 - US $268
Literacy rate:	36%
Labour force in agriculture:	72%
Exports, fob (1981-82):	US $8.65 billion
Imports, cif (1981-82):	US $15.45 billion
Currency:	Rupee (exch. rate US $1 = 10.8 rupees)

I. INDIA: THE COUNTRY

A. GEOGRAPHY AND POPULATION

1. The Indian subcontinent makes up a large part of south-central Asia. The subcontinent is bound by mountain ranges on the north, east and west, and by the Indian Ocean on the south. The mountain ranges, of which the Himalayas are the most important, have for centuries formed a barrier sheltering the subcontinent from events in the rest of Asia.

2. Of the six countries in this region, India is the largest and most populous; it covers most of the subcontinent's land area and has more than three-quarters of its population.

3. The climate in most of India is hot and the rainfall is subject to seasonal variation. Much of Rajasthan State in Western India is desert while the areas of heaviest rainfall are in eastern India and along the west coast of the Indian peninsula.

4. India has approximately 715 million people making it the world's second most populous nation. Every year India's population increases by 15 million, a number equal to almost two-thirds the population of Canada.

5. India is also the world's seventh largest country with a land area of 3,287,590 sq. km., giving it a population density of 217 people per sq. km. This figure can be compared with population densities per sq. km. of 2.5 for Canada, 25 for the U.S., and 230 for the U.K. Over half of India's land area, 55%, is devoted to agriculture and as much as 21% is classified as forest land.

6. The 1961 Indian census reported 1,652 mother tongues. In the north, where almost all of the languages can be classified as Indo-European, the major languages are Hindi, Urdu, Bengali, Assamese, Punjabi, Gujarati, and Marathi. In the south, where the languages belong to the Dravidian group, the major languages are Tamil, Malayalam and Telugu. Hindi, the official language, and its dialects are spoken by approximately 30% of the population. English is still widely used in the business community and by the elite, and it has an official status in government.

B. GOVERNMENT

1. For almost a century, until 1947, India was under British rule. On August 15, 1947, the former British Indian Empire became independent as India and Pakistan. The present constitution by which India is a democratic republic came into effect on January 26, 1950. Since independence, India has continued to use a federal parliamentary system of government. The Indian federal system divides power between the federal government and 22 states; there are also 9 union territories including the capital, New Delhi.

2. Since independence, with the exception of 3 years, from 1977 to 1980, the India Federal Government has been controlled by the Congress Party. Congress Party governments have tended to favour interventionist economic policies, government ownership and control of business activity, and restrictions on foreign ownership. They have also implemented a trade policy based on import substitution and have sought to reduce income inequalities. Recently, however, the Congress government of Mrs. Indira Ghandi has been relaxing the restrictions on international trade, foreign ownership, and the private sector. Her government has also been pursuing a tight monetary policy designed to control inflation.

II. INDIA: THE ECONOMY

A. DOMESTIC ECONOMY

1. The Indian 1982-83 GNP is estimated to be somewhere between US $152 and US $192 billion of which 38% was agricultural output and only 39% were services. In comparison, the corresponding figure for Canada is US $281 billion of which only 4% is attributable to agriculture and 65% were services. Manufacturing accounts for 25% of India's GNP. Clearly, the dominant feature of the Indian economy is the size of its agricultural sector. This sector is, however, declining in importance, albeit slowly (in 1960 agriculture accounted for 50% of GNP).

2. Although India's economic performance from independence to the mid-1970's was poor - per capita income increased by only 1.1% annually - growth rates for the last few years have been more impressive. The per capita annual growth rate from 1975-76 to 1981-82 was close to 2%. However, for 1982-83 no income growth was indicated, primarily because of a poor monsoon which has reduced agricultural output by 7%.

3. The performance of the agricultural sector, which accounts for 40% of GNP, has been particularly poor; the per capita growth rate of agricultural output from independence to the mid-1970's was negligible.

4. One of the most significant developments in the Indian economy has been the growth of the industrial sector. Output in this sector, which now accounts for 20% of GNP, is becoming more diversified and has been growing more quickly than agricultural production.

5. The changing nature of the Indian economy, especially the growth and increasing diversity of the manufacturing sector, shows up most dramatically in India's export mix. In 1963 raw materials and agricultural goods, particularly coffee, tea and jute, accounted for 57% of exports while manufactured goods accounted for 43%. By 1979 the share of exports accounted for by raw materials and agricultural goods had declined to 40% and manufactured goods had increased to 60%. Between 1970-71 and 1980-81 alone, the export of consumer durables and engineering and capital goods increased seven-fold.

B. EXTERNAL POSITION

1. Since oil prices doubled in 1979 the Indian balance of payments has been under pressure. Between 1979-80 and 1981-82 imports measured in rupees almost doubled while exports grew by only 14%. The merchandise trade deficit, which in 1978-79 was only US $1.3 billion, had grown to $6 billion in 1981-82. In 1982-83 this deficit remained high, at US $5 billion; the deficit is unlikely to be reduced significantly before 1985.

2. India has usually had either a small deficit or a surplus in the invisibles account. Within this account, there has ordinarily been a surplus in tourism, transportation, and remittances. In 1978-79 India had a US $600 million dollar surplus in the tourism account, and in 1981-82 emigrants remitted $1.2 billion to India. However, because of the world recession, remittances have decreased.

3. The Indian rupee has generally been overvalued; in a relatively free-trade environment, this condition would lead to a current account deficit. However, prior to the oil shock of 1979, the Indian Government avoided large deficits or devaluations by directly or indirectly controlling trade through a complex system of export and import controls, a policy of channeling foreign trade through state agencies, and the reorientation of trade to countries willing to enter into bilateral trading agreements.

4. More recently the Indian government has relaxed its restrictions on imports as a step toward greater trade liberalization. Import policy was first liberalized in 1978; and more recently, in April 1982, the Indian government announced a new trade policy which further relaxed import restrictions. The result of this liberalization is that some sectors have been complaining about increased foreign competition and have charged that foreign goods are being dumped in the Indian market. Increased non-oil imports have also aggrevated the balance of payments problem.

5. India is a signatory of the GATT, and goods from India enter Canada under the Generalized Preferential Tariff or the British Preferential Tariff, whichever is less. India has also accepted the following GATT codes: the 1979 Supplemental Protocol; the Subsidy-Countervail Code; the Customs Valuation Agreement and Protocol; and the Import Licensing Code. As one of the less developed countries, India has not taken on all of the obligations of the GATT.

6. Foreign ownership and foreign exchange holdings are regulated by the Foreign Exchange Regulation Act (FERA) of 1973. The Act was designed to Indianize the economy by limiting foreign business ownership to 40 percent of equity. The recent liberalization of foreign ownership restrictions has not entailed a repeal of the Act or parts of the Act, but rather a more liberal usage of its provisions allowing for greater foreign participation when a joint ven-

ture imports high-priority advanced technology or when exports account for a high fraction of the joint venture's output.

7. Imports are now dominated by oil; but other important import items are fertilizers, edible oils, chemicals, precision equipment, machinery, and transport equipment. The volume of foodgrain imports depends upon the state of the harvest. When the harvests have been good, as in 1978-79 for example, food imports, with the exception of edible oils, accounted for less than 5 percent of India's imports. Even at the worst of times, food, with the exception of edible oils, has not accounted for more than a third of Indian imports.

8. In 1979-80, the Indian import market for goods other than petroleum, and pearls and precious stones was in the order of 7 billion U.S. dollars. (This figure can be put into perspective by noting that total exports laden in British Columbia were approximately 10 billion U.S. dollars in 1980.) This 7 billion dollars of imports included 1,277 million U.S. dollars of machinery, 417 million dollars of transportation equipment, 192 million dollars of paper, 107 million dollars of copper, 56 million dollars of zinc and 37 million dollars of pulp.

9. At the time of independence, the United Kingdom was India's largest trading partner. India now has more trade with the United States, USSR, and Japan than with the U.K. While the U.S. is now India's single largest trading partner, the USSR has in some years been India's most important export market. Western Europe, other than the U.K., has also increased in importance as both an export market and as a source of imports.

INDIAN FOREIGN TRADE BY COUNTRY AND COMMODITY

Exports 1981-82 (millions of rupees*)		Imports 1981-82 (millions of rupees)	
USSR	15,048.9	United States	14,213.4
United States	8,815.9	Iran	13,280.5
Japan	6,905.6	USSR	11,563.6
United Kingdom	4,635.8	Japan	9,393.5
West Germany	3,816.9	West Germany	9,169.4
United Arab Emirates	1,994.6	United Kingdom	8,488.7
Saudi Arabia	1,903.7	Canada	2,938.2
Other	34,840.4	Other	66,839.2
Total	77,961.8	Total	135,887.1

Exports 1981-82 (million os rupees)		Imports 1981-82 (millions of rupees)	
Clothing & cotton textiles	9,243.4	Mineral fuels (petroleum)	51,892.6
Pearls, precious & semi-precious stones	6,796.2	Non-electric machinery	11,821.6
Machinery & transport equipment	6,157.5	Iron and steel	11,363.8
Leather & leather manufactures	4,144.0	Fertilizers	4,694.4
Tea and mate	3,732.9	Vegetable oil	3,783.2
Other	47,887.8	Pearls, precious and semi-precious stones	3,459.3
		Non-ferrous metals	3,015.5
		Other	45,856.7
Total	77,961.8	Total	135,887.1

U.S. dollar approximations can be obtained by using an exchange rate of 9 rupees to the dollar.

III. CANADA-INDIA TRADE RELATIONS

1. Canada exported almost 300 million dollars worth of goods to India in 1982. Raw and fabricated materials in the form of potash, copper, zinc, asbestos, and sulphur accounted for over one-half of these exports. Agricultural and forest products in the form of wheat, rapeseed, rapeseed oil, newsprint, and pulp accounted for most of the rest. Most of the manufactured products exported to India were capital goods. This pattern of exports reflects India's policy of protecting its manufacturing sector from foreign competition and encouraging import substitution. India has tended to import from Canada raw and fabricated materials or capital goods which India cannot produce in sufficient quantities.

2. A characteristic of Canada's trade with India is the large and persistent trade surplus. In comparison to almost 300 million dollars worth of exports in 1982, in the same year Canada imported from India goods worth only 90 million dollars. Over one-half of these imports were in the form of coffee, tea, home furnishings, and textiles and clothing.

CANADIAN EXPORTS TO INDIA

	(C$ thousands) 1981	1982
Animal & vegetable products	55,059	29,756
Oils fats, waxes, extracts & derivatives	50,453	10,282
Rapeseed	2,487	0
Wheat	0	17,277
Forest Products	78,786	43,739
Newsprint paper	70,144	31,396
Wood pulp	8,642	11,670
Chemicals	47,067	58,714
Fertilizers (mostly potash)	42,735	52,390
Mineral Products	130,819	122,415
Copper	5,303	2,791
Zinc	9,767	13,990
Asbestos	32,417	26,763
Sulphur	62,854	43,172
Manufactured goods	23,846	32,489
Railway & street rolling stock	4,797	5,618
Drilling excavating, mining machinery	4,788	11,115
Telecommunication & equipment	1,498	3,589
Total exports (included other)	346,154	292,481

CANADIAN IMPORTS FROM INDIA

	(C$ thousands) 1981	1982
Food products	14,872	12,841
Coffee	3,106	2,946
Tea	4,766	3,999
Textiles and clothing	46,528	38,090
Home furnishings	9,007	8,182
Other	36,604	31,586
Total imports	107,011	90,699

IV. BRITISH COLUMBIA-INDIA TRADE RELATIONS

1. British Columbia's major exports to India in 1982 were zinc, asbestos fibre, pulp and sulphur. The volume of trade was small compared to this Province's total exports, and the export mix reflects Canada's pattern of trade with India, mostly raw materials and capital goods. India has not been a significant market for British Columbia newsprint or lumber (India imports very little lumber).

2. Despite a recent easing of trade restrictions, the Indian market is still not as accessible as most of British Columbia's other foreign markets. Accordingly, British Columbia export growth in the near future is most likely to take the form of increased sales of capital goods and semi-processed materials such as pulp, mineral products, and food. There are opportunities for British Columbia to expand its service exports to India in the form of foreign investment, joint ventures, and the provision of engineering consulting services. However, firms entering into joint ventures or providing consulting services in India may be faced with pressure to use Indian consultants and equipment.

3. The development of British Columbia's trading relations with India depends to a great extent upon the direction of Indian trade policy. Should India continue moving towards a freer trade environment, then British Columbia's exports to India will likely become more diverse and embody a higher level of processing. Furthermore, a freer trade environment, or at least one in which less trade is channeled through government agencies, may result in a redirection of Indian trade away from the centrally planned economies, which offer bilateral trading agreements, to market economies such as Canada.

BRITISH COLUMBIA EXPORTS TO INDIA

	(C$ thousands) 1981	1982
Metal bearing ores	0	1,246
Sulphur	1,698	5,500
Zinc blocks, pegs and slabs	4,533	8,702
Asbestos milled fibres	5,960	8,409
Lumber	0	84
Wood pulp	3,930	6,634
Aircraft equipment and parts	1,140	1,150
Telecommunications equipment	28	1,555
Other	3,968	2,098
Total	21,257	35,378

INDONESIA

INDONESIA FACT SHEET

President:	General Suharto
Government:	Executive presidential system. House of Representatives: 360 seats elected, 100 appointed by the president. Golkar or 'Functional Group' has a majority in the House of Representatives
Population (1982 estimate):	153 million
Growth rate (1975-1979):	2.0%
Density:	80.4 per sq. km.
Literacy	60%
Area:	1.904 million sq. km.
Major cities:	Djakarta (capital) (6.5 million) Surabaja (2 million) Bandung (1.4 million)
Gross National Product (1981):	US$78 billion
Growth rate (1974-81):	7%
Per capita (1981):	US$510
Labour Force:	60 million
in Agriculture:	64%
Inflation rate (1981):	9.8%
Exports (1981-82):	US$23 billion
Imports (1981-82):	US$20 billion
Currency:	rupiahs (US$1 = 1001 rupiahs, March 1984)

I. INDONESIA: THE COUNTRY

A. GEOGRAPHY AND POPULATION

1. Indonesia is a 3,000 mile long archipelago made up of over 13,600 islands (or portions of islands) of which the major, and better-known, ones are Java, Sumatra, Kalimantan (southern Borneo), Salawesi (formerly known as Celebes), and Irian Jaya (Western New Guinea). The Indonesian archipelago is an extension of Southeastern Asia and lies between 6 degrees north and 11 degrees south. The climate is tropical with heavy rainfall during the rainy season (November-March).

2. The population is unevenly distributed. Java, with its 90 million people, or 60% of the total population, is one of the most densely populated areas of the world. Irian Jaya, on the other hand, is lightly populated; much of this region has less than 1 person per sq. km. (compared to Java, with a density of over 200 persons per sq. km). The Indonesian Government has undertaken a transmigration program to encourage people to settle in the sparsely populated outlying islands.

3. Indonesians are predominantly of Malay origin, although a significant part of the population is of Chinese descent. The latter play an important role in the country's business activities.

4. Most of the population is Moslem, although there are important Hindu, Christian and Buddhist communities.

5. The official language is Bhasa Indonesian, although the usage of English by government officials and in business circles is common.

B. GOVERNMENT

1. For three hundred years prior to formally receiving independence from the Netherlands in December, 1949, Indonesia was a Dutch colony. Independence was followed by the establishment of a unitary republic in 1950, and the period of parliamentary democracy which dates from the founding of the unitary republic ended when President Sukarno assumed executive powers in 1957. Under his administration, economic conditions deteriorated and political instability increased.

2. The present administration evolved from a military government which took power after an abortive, communist-lead coup d'etat in September, 1965. General Suharto, who lead the country following the coup attempt, has been President since 1967.

3. The military government set up after the coup attempt established a regime known as the 'New Order' government. This regime advocated a state ideology known as 'Pancasila' (which promotes broad principles such as national unity

and social justice), and refurbished the 'Golkar' or 'Functional Group' organization as its political arm. The 'Golkar' is a conglomerate of professions, trade and labour groups, religious organizations, the military, and numerous social organizations. There have been moves recently to turn this organization into a more traditional political party with individual members.

II. INDONESIA: THE ECONOMY

A. DOMESTIC ECONOMY

1. Indonesia is a developing country with a large agricultural sector and relatively abundant petroleum resources. Although only 12% of the country's land area is under cultivation, agriculture represents one-third of the country's GNP and employs 64% of its labour force. Manufacturing, however, is increasing in importance, and petroleum production has come to play a major role in Indonesia's economy.

2. Like many other East Asian countries, Indonesia has experienced considerable economic growth in the 1970's. From 1974 to 1981 the Indonesian economy grew at roughly 7% per year. Prospects for continued growth are considered as good.

3. Percentage shares of Gross National Product are listed below:

	% of total in 1980	
Agriculture		31.7
Farm food crops	18.9	
Estate crops	2.3	
Others	10.5	
Mining and quarrying		9.7
Manufacturing		13.4
Construction, electricity, gas & water		6.4
Services		38.8
Gross Domestic Product		100.0

4. Indonesia, an oil exporter and a member of OPEC, has its oil production quota set by that organization at 1.3 million barrels per day. Nearly one-third of Indonesia's production capacity is now required for domestic consumption. However, to slow the growth of domestic demand the government has increased domestic energy prices and moves have been made to diversify the country's energy sources. Indonesia has therefore been developing its geothermal, coal and natural gas resources. Natural gas production in particular has risen sharply in the last 10 years.

5. The oil glut and world recession have reduced Indonesia's export earnings and government revenues, forcing the government to reduce its spending and to reschedule some of its development projects.

6. The manufacturing sector, which the government has attempted to encourage by way of import substitution, is still considered to be at an early stage of development and is not broadly based. A large part of the manufacturing sector is composed of industries processing agricultural goods and assembling consumer products; 40% is located in the Djakarta area. Nevertheless, progress is evident. The manufacturing sector grew at a rate of 12.4% annually in the years 1974 through to 1978.

7. Output in the Indonesian agricultural sector has grown at an average rate of 4% a year since the early 1970's. The annual production of rice, which is one of Indonesia's major foodstuffs, has increased from 12 million tons in 1969 to 22 million tons in 1981. Other important crops are cassava, sugar cane, rubber, coffee and coconuts.

B. EXTERNAL POSITION

1. Oil and gas exports (US $18.3 billion) accounted for over 80% of Indonesia's export earnings in 1981-82 fiscal period, while timber, tin, rubber, palm oil and coffee accounted for over half of the remaining 20%. The oil glut and world recession have reduced Indonesia's exports in 1982 and 1983 from the 1981 level of 25 billion dollars, according to Indonesian Department of Trade estimates. The IMF estimate for 1981 exports [f.o.b.] was $23.4 billion.

2. On the basis of IMF estimates, Indonesia's current account surplus turned to a deficit in 1981. Imports had increased by 32% in that year to US$16.9 billion while exports had increased only 7.6% to $23.4 billion. With a service account deficit of $7.6 billion, the current account showed a deficit of almost $1 billion.

3. The Indonesian government has restricted log exports in order to encourage the development of the domestic wood processing industry. Companies that have not invested in timber processing facilities are now prohibited from exporting logs. Predictably, log exports have declined, and wood products exports have increased. Plywood exports grew by 67% in 1982 alone, to reach a level of US$270 million.

4. The Indonesian paper industry still relies on imported pulp as its raw material input and the paper industry's output has not been able to keep up with growing domestic demand. In order to keep up with the growth of demand, the government is promoting 14 paper projects, 11 of which are projected to come on stream in 1985. Indonesian producers, who are protected by import barriers, are generally small firms with high production costs.

INDONESIA TRADE BY COUNTRY AND COMMODITY*

Exports 1982 (million US$)		Imports 1982 (million US$)	
Japan	11,193	Japan	4,279
United States	3,546	Singapore	2,819
Singapore	3,121	United States	2,417
Australia	674	West Germany	1,193
South Korea	611	Saudi Arabia	1,134
Phillipines	293	France	571
The Netherlands	265	United Kingdom	445
West Germany	253	South Korea	304
Canada	26	Canada	175
Other	2,311	Other	3,522
Total	22,293	Total	16,859

Exports 1982 (million US$)		Imports 1982 (million US$)		
Petroleum	15,458.3	Machinery & Transportation Equip.		6,259.8
Gas	2,905.8	Petroleum & prod.		3,544.7
Rubber	606.9	Basic manufactures		2,732.0
Wood	556.0	Iron & steel	1,342.4	
Tin	367.4	Food		1,074.1
Coffee	343.6	Cereals & rice	388	
Other	2,055.3	Other		3,248.3
Total	22,293.3	Total		16,858.9

*Indonesia Department of Trade estimates.

III. CANADA-INDONESIA TRADE RELATIONS

1. Canadian exports to Indonesia totaled $210 million in 1983, up only slightly from the 1982 figure of $206 million but almost double 1981 exports of $94 million. Canada has typically had a large export surplus with Indonesia in comparison with the level of trade between these two countries. Imports were at the level of $40 million in 1982, up from $30 million in the preceding year.

2. Canada's major commodity exports to Indonesia in 1983 were wheat ($37.3 million), machinery ($35 million), pulp ($21.4 million), synthetic rubber ($16.6 million) and newsprint ($15.2 million).

3. Rubber ($16.6 million), wood products ($8.2 million), and clothing ($6.7 million) were Canada's major imports from Indonesia in 1983.

CANADIAN EXPORTS TO INDONESIA

	(C$ thousands) 1982	1983
Wheat	6,773	37,288
Machinery	39,418	34,980
Wood pulp	7,8905	21,407
Synthetic rubber and plastics	16,324	16,614
Newsprint	6,993	15,201
Aircraft and parts	11,589	11,837
Sulphur	7,417	11,251
Aluminum	4,796	6,821
Paper and paperboard	6,095	7,780
Trucks	255	6,444
Scrap iron and steel	7,315	4,390
Other	91,385	35,877
Totals	206,165	209,890

CANADIAN IMPORTS FROM INDONESIA

	(C$ thousands) 1982	1983
Rubber	18,933	16,683
Wood products	1,179	8,249
Clothing	3,314	6,652
Tea	3,281	4,140
Coffee	220	1,309
Other	3,342	3,010
Totals	30,269	40,043

4. Indonesia is a beneficiary of Canada's General Preferential Tariff (GPT). The GPT is one of several preferential tariff arrangements under the GATT whereby the exports of certain developing countries are duty-free or are subject to reduced tariff rates when imported into Canada and other developed country markets.

5. The flow of products between Canada and Indonesia is greater than the estimates of direct trade flows suggest. Many Canadian exports and imports to and from Indonesia pass through third countries such as Singapore, the United States or Japan.

IV. BRITISH COLUMBIA-INDONESIA TRADE RELATIONS

1. In 1982 British Columbia's principal resource-based exports to Indonesia were wood pulp ($7.8 million), zinc ($6.3 million), paper ($4.2 million), aluminum ($3.3 million) and newsprint ($3.2 million). Manufactured exports included drilling and telecommunications equipment ($3.6 and $1.1 million respectively).

2. Total exports to Indonesia in 1982 were $38.4 million, up from $28 million in the preceding year.

3. Indications for 1983 are that, while the value of wood pulp exports increased considerably to over $20 million and there were $6.4 million of truck exports, shipments of zinc, newsprint, aluminum and telecommuncations equipment were down.

BRITISH COLUMBIA EXPORTS TO INDONESIA

	(C$ thousands) 1981	1982
Wood pulp	4,991	7,768
Zinc	2,677	6,287
Paper	5,165	4,184
Earth drilling equipment & parts	---	3,610
Aluminum	4,738	3,338
Newsprint	3,858	3,208
Liner Board	2,425	2,556
Telecommunications equipment	397	1,117
Other	3,911	6,277
Totals	28,162	38,345

JAPAN

JAPAN FACT SHEET

Prime Minister	Mr. Yasuhiro Nakasone
Area (1000 sq. km.)	377.7
Population (October 1982 estimate)	118,693,000
Labour force as percent of total population	49.3
Percentage distribution of labour force:	
Agriculture, forestry, fishing	10.4
Manufacturing and construction	33.6
Other	56.0
Major cities (October 1980 estimate):	
Tokyo	8,350,000
Yokohama	2,770,000
Osaka	2,650,000
Nagoya	2,090,000
Kyoto	1,470,000
Sapporo	1,400,000
Kobbe	1,370,000
Gross National Product in 1982 (billion yen):	251,259
Average annual growth in real GNP 1976-1982 (%)	4.5
Commodity exports (fob $US)	137,663,000,000
Commodity imports (fob $US)	119,584,000,000
Total exports as a percent of GNP	16.6
Total imports as a percent of GNP	16.0
Yen per US$ (average of daily figures):	
1982	249.0769
January-May 1983	243.8750

I. JAPAN: POLITICAL OVERVIEW

1. Japan's government is a parliamentary monarchy. Emperor Hirohito is the symbolic leader of the Japanese people, but legislative power rests with the Diet. The Diet consists of two houses of elected officials - the House of Representatives and the House of Councillors. The House of Representatives is made up of 511 members, elected by men and women over 20 years of age, for a four-year term. The House of Councillors is made up of 252 members (100 elected at large and 152 from prefectural districts), one-half of whom are elected every three years.

2. In the 37th general election held on December 18, 1983, the governing Liberal Democratic Party, headed by Mr. Yasuhiro Nakasone, suffered an unexpected setback. In the Lower House of 511 seats, the Liberal Democratic Party lost 36 of its 286 seats up for reelection, ending with 6 seats short of a majority.

3. In response to this development, the Prime Minister formed a coalition including 9 conservative independents and the 8 members of the New Liberal Club.

4. The final standings were as follows:

Liberal Democratic Party	250
New Liberal Club	8
Japan Socialist Party	112
Komeito	58
Democratic Socialist Party	38
Japanese Communist Party	3
Independents	16

II. JAPAN: ECONOMIC OVERVIEW

1. The Japanese economy has faired better against the problems of inflation and unemployment than any western nation during the last few years. In 1980 and 1981 inflation rates in Japan were 7.6% and 4%, while unemployment rates were only 2.1% and 2.2% respectively. This compares with inflation rates in Canada (CPI) for the same years of 10.2% and 12.5% and unemployment rates of 7.5% and 7.6%. Still, the Japanese economy has not been untouched by the slowdown in world economic activity.

2. Japanese economic growth, though the highest among OECD countries, slowed from 4.8% in 1980 to 3.8% in 1981 and to 3.0% in 1982. Up to mid-1981, despite sluggish growth in domestic demand, real GNP growth was sustained due to a rapid expansion of Japanese exports. After mid-1981, however, the deteriorating international economic environment and rising protectionist pressures abroad reduced growth in exports. Export volumes grew by only 3.2% during 1982 and export volumes of manufactured goods actually fell. Declines in export growth, though, were matched by declining import volume growth. Imports of manufactures were virtually stagnant from 1981 to 1982 while total energy imports actually fell by more than 3%.

3. Overall industrial production in Japan during 1982 rose by only 0.3%. This poor performance, however, partially reflects an underlying structural change in Japanese industrial output. Many basic material and energy intensive industries have rapidly contracted due to the effects of the 1979 oil shock and due to a government plan to gradually scrap excess capacity known as "the Temporary Law for Stabilization of Specific Depressed Industries." Production in new technology intensive industries, on the other hand, continued to grow rapidly. Production of electrical machinery, for example, rose by about 10% during 1982. These newly emerging industries have shown rapid rates of technological innovation, new product development, and productivity growth. They have also been the focus of considerable government support.

GOVERNMENT ECONOMIC POLICIES

1. Japanese monetary policy during 1982 and 1983 focused on supporting the yen, which was substantially affected by changes in interest rates in the United States. In the first half of 1982 Japan moved to tighten credit market conditions to counter capital outflows caused by rising American interest rates. These outflows had weakened the yen relative to the other currencies. Japanese policy was relaxed somewhat, however, when U.S. rates fell during the second half of 1982 and early 1983. Despite attempts to support the currency, the yen remains surprisingly weak, compared to the American dollar and in view of Japan's historical export performance.

2. Fiscal policy in Japan since 1980 has been dominated by a concern about large public sector deficits and the growing volume of public debt. Since 1975, slow growth in tax revenues (largely due to the effects of the first oil shock) and expansionary government policies have led to the increased use of government bonds to cover government deficits. This has brought about a substantial increase in interest payments by the central government. To address this problem, growth in public expenditure - especially on public works - has been restrained while tax rates have remained unchanged. The Japanese government hopes to eliminate the new issue of deficit-covering bonds by 1984.

3. Other noteworthy government policy measures include the establishment of the Office of the Trade Ombudsman and a new law designed to help depressed industries. The Office of the Trade Ombudsman was set up in January, 1982, to review complaints about import testing procedures and related matters. The establishment of this office may partially be the result of U.S. pressure against restrictive import policies in Japan. The "Temporary Law for Structural Improvement of Specific Industries" supercedes the "Temporary Law for Stabilization of Specific Depressed Industries." It is designed to help depressed industries by fostering mergers and other cooperative arrangements between firms with a view towards rationalizing production.

Japan
Statistical Overview

	1978	1979	1980	1981	1982	1983
Economic growth (GDP) (%)	--	5.2	4.8	3.8	3.0	--
Inflation rate (%)	5.5	4.9	7.6	4.0	2.7	3.3(est)
Unemployment rate (%)	--	2.0	2.1	2.2	2.4	2.3
Balance of trade (US$ billion)	+15.1	+15.6	+17.7	+19.0	+18.7	+30.0
Balance of trade with Canada (Cdn$ billion)	--	-1.94	-1.58	-0.45	-1.04	--
Balance of payments (US$ billion)	+6	+16	+8	+2	+5	--
Budget deficit (US$ billion)	44.2	55.8	58.7	53.0	60.0	--
Exchange factors (average value yen/Cdn$)	182.48	185.87	193.05	183.48	201.21	191.94(est)

III. RESTRUCTURING THE JAPANESE ECONOMY - CHALLENGES

1. New developments in the Japanese economy could favourably influence British Columbia-Japan economic relations.

2. Restructuring of the Japanese industrial base is an important part of the Japanese "New Economic and Social Seven Year Plan." Japanese leaders wish to promote economic growth in ways which are in harmony with the international economy. They recognize that the economy must undergo structural changes, primarily as a result of high energy costs and increased competition in some traditionally strong manufacturing industries from newly industrializing developing countries. Japan's major economic goals for the 1980's call for more development of the service sector; the scrapping of uncompetitive energy-intensive industries such as metal processing; and the growth of knowledge-intensive, high value added, low energy input industries such as computers, precision machinery, electronics, telecommunications, etc. Japanese leaders are also moving to modify the country's energy mix by reducing dependence on oil and increasing the use of other fuels. As part of its price stability program and as a result of the multilateral trade negotiations, the Japanese government has stated that it plans to open its markets to imports of additional manufactured goods. The "Seven Year Plan" also contains a number of objectives to increase the quality of life, and of particular interest to British Columbia is the planned acceleration in new housing construction (a sector which is, however, presently experiencing a slump).

3. The above developments constitute a major challenge to the British Columbia economy which has access to low cost energy, a diversified resource base, and a growing manufacturing sector. In view of the direction of Japanese industrial restructuring and the capability of the British Columbia economy

to complement Japanese developments, it is anticipated that there will be numerous bilateral trade and investment opportunities in the province which will further develop the economy.

IV. CANADA-JAPAN ECONOMIC RELATIONS AND THE JOINT ECONOMIC COMMITTEE

1. The Framework for Economic Cooperation, signed by the Prime Ministers of Canada and Japan in October, 1976, sets out economic cooperation as the major objective of our bilateral relations and seeks to promote mutually beneficial trade and economic ties. Several meetings of a Joint Economic Committee (JEC), created under the Framework, have been held in recent years. The JEC allows senior officials from both nations to discuss trends and problems in economic relations and to identify new areas of cooperation.

2. At the 1981 JEC meeting, a Working Group on Resource Processing was formed to focus on the possibilities for further processing in Canada prior to export. The group has held a number of meetings, with discussions focusing on factors determining the locations of processing facilities (e.g. energy costs, transportation, taxation, environment). Several provincial governments, including British Coilumbia, are participating in the Working Group. A further meeting, possibly on the petrochemical sector, has been tentatively set for 1984.

V. BRITISH COLUMBIA-JAPAN TRADE RELATIONS

1. British Columbia has a long history of trade with Japan, and trade has now grown to the point where Japan has replaced the United Kingdom and the other European Community countries as British Columbia's second largest trading partner. Japan regularly purchases 20% to 25% of British Columbia's total exports. (See Appendix tables for more detail.)

2. Exports of British Columbia produced goods accounted for almost 50% of Canada's exports to Japan in 1982. Indeed, the $3,770.2 million worth of goods exported to Japan through British Columbia custom ports came close to offsetting all of Canada's import bill from Japan in 1981.

3. The products exported to Japan by British Columbia are largely primary and partially processed resource products. Coal, lumber, copper concentrates, wood pulp, aluminum and fish products dominate the Province's exports. Only 10% of British Columbia exports are manufactured products: chemicals and allied products and resource industry supplies (e.g. rock drills and specialty forest equipment and parts) make up a large portion of this 10%.

BRITISH COLUMBIA'S EXPORTS TO JAPAN

	(c$ millions) 1981	1982
Coal	491.1	564.6
Lumber	364.1	384.5
Wood pulp	323.2	290.3
Copper concentrates	257.7	230.8
Fish products	131.8	159.7
Aluminum ingots	208.8	148.3
Gold & silver in ores & concentrates	64.0	58.3
Molybdenum concentrates	57.7	50.2
Logs	35.9	45.9
Pulpwood chips	43.5	41.0
Other	134.5	158.0
Total	2,112.3	2,131.6

CANADIAN EXPORTS TO JAPAN

	(c$ millions) 1981	1982
Coal & other crude bitumin substances	680.8	837.0
Lumber	367.2	387.7
Rapeseed	389.4	382.4
Wood pulp and similar pulp	399.9	353.8
Wheat	354.4	290.5
Copper in ores, concentrates and scrap	299.6	242.7
Fishery food and feeds	172.2	236.3
Meat, fresh, chilled or frozen	207.2	227.2
Aluminum, including alloys	209.2	209.2
Barley	191.6	136.1
Other	1,226.2	1,268.3
Total	4,497.7	4,571.2

CANADIAN IMPORTS FROM JAPAN

	(c$ millions) 1981	1982
Passenger automobiles and chassis	994.8	829.9
Other telecommunication & related equipment	408.2	397.3
Other motor vehicles	199.4	212.8
Trucks, truck tractors and chassis	203.2	180.7
Other photographic goods	208.0	142.1
Television, radios and phonographs	147.4	114.7
Pipes and tubes, iron and steel	154.8	107.8
Motor vehicle parts, except engines	89.0	106.4
Miscellaneous equipment and tools	75.7	80.4
Other transportation equipment	100.0	75.7
Other	1,457.9	1,279.3
Total	4,038.4	3,527.1

MALAYSIA

MALAYSIA FACT SHEET

Prime Minister:	Datuk Seri Dr Mahathir Mohamad
Population (mid-1981 estimate):	14.42 million
Area:	332,952 square kilometres
Gross Domestic Product (1982):	US $26 billion
GDP Growth Rate:	1981: 6.7%; 1982: 4.6%
Inflation (12 months to June 1983):	3.7%
Unemployment Rate (1982):	5.2%
Exports (1983 estimate):	US $13.7 billion
Imports (1983 estimate):	US $13.2 billion

I. MALAYSIA: THE COUNTRY

A. GEOGRAPHY AND POPULATION

1. Malaysia is a federation of 13 states covering 332,952 square kilometres. Peninsular Malaysia consists of 11 states: the States of Sabah and Sarawak are located on the island of Borneo.

2. Peninsular Malaysia contains about 85% of Malaysia's estimated 14.4 million population. Malaysia is a multi-racial country with three main races - Malays (Bumiputras), Chinese and Indians.

B. GOVERNMENT

1. Malaysia is a constitutional monarchy with the Supreme Head of State (known as 'Yang Di Pertuan Agong' - King) elected every five years by and from the rulers of nine states.

2. The Malaysian Parliament consists of two houses - the Dewan Rakyat (House of Representatives) and the Dewan Negara (Senate). The current Prime Minister is Datuk Seri Dr Mahathir Mohamad, whose ruling party, the United Malays National Organization, controls 132 of the 154 seats in the House of Representatives.

3. The parliament recently passed amendments to the constitution which limit the king's power to delay legislation and to declare an emergency. However, the king has yet to sign the legislation; this delay is causing a great deal of controversy.

II. MALAYSIA - THE ECONOMY

A. DOMESTIC ECONOMY

1. Real economic growth averaged 7.9% in latter half of the 1970's; however, the rate of growth fell in the early 1980's to 6.7% in 1981 and 4.6% in 1982. Due to increased demand for exports, real GDP growth is estimated to have increased 5.5% in 1983.

2. Malaysia is currently operating under the fourth five-year development plan (1981-1985). This plan seeks to promote heavy industry and to sustain rapid economic growth.

3. Malaysia's economy has become widely diversified over the past ten years, a trend that is continuing. In the early 1970's agriculture (including forestry and fishing) accounted for close to 30% of the country's GDP; the share declined to about 23% in the early 1980's and under the current five-year development plan it is expected to fall to below 18% by 1985. However, the sector still accounts for the employment of nearly 40% of the

labour force. Malaysia is the world's largest supplier of natural rubber, palm oil, and tropical hardwood.

4. While Malaysia's mining sector's relative share of GDP has declined somewhat over the past 10 years (4.0% in 1981), it is the country's leading foreign exchange earner. Oil accounted for about 27% of the total exports in 1982 and 90% of domestic energy consumption. However, Malaysia is attempting to diversify away from oil as its major source of energy towards natural gas, hydroelectric power, and coal. Malaysia's natural gas reserves are amongst the largest in the world, and the country is a major supplier to Japan. It is estimated natural gas production in 1984 will be about 3 million metric tonnes, rising to 6 million metric tonnes in 1986.

5. The manufacturing sector has greatly expanded in recent years and now accounts for approximately 20% of Malaysia's GDP and employs about 17% of the workforce.

B. MALAYSIAN FREE TRADE ZONES

1. To simplify procedures and thereby encourage the setting up of export-oriented manufacturing facilities, the Government has established a number of Free Trade Zones (FTZ) throughout the country. FTZ offer minimum customs control and formalities in the import of raw materials, parts, machinery and equipment. One condition for application for sites in an FTZ is that the concern intends to export its entire output or, in certain circumstances, not less than 80% of production, when raw materials and components have to be imported. Goods exported abroad from an FTZ are free from customs duty.

2. If products manufactured in the FTZ are allowed to be imported into the Principal Customs Area for home consumption, they are subject to prevailing customs duty. However, companies in the FTZ can apply for tax reductions from the Treasury. Where the establishment of an FTZ is neither practical nor desireable, the Government has allowed for the setting up of licensed manufacturing warehouses, and accords facilities and treatment similar to those given to factories in the FTZ. The idea is to encourage dispersal of industry, especially to the less developed areas.

C. EXTERNAL POSITION

1. Exports account for over 50% of Malaysia's GDP; consequently Malaysia is very sensitive to economic conditions in other countries. Until 1981 Malaysia had maintained a balance of trade surplus. However, decreases in the prices of major export commodities led to a decline in export earnings in 1981 and 1982, which resulted in two successive trade deficits. However, a stronger export performance in 1983 is expected to result in a trade surplus once again.

2. Crude petroleum is Malaysia's leading export, accounting for 27% of foreign exchange earnings in 1982. Other leading exports include sawlogs and sawn timber (15%), rubber (10%), and palm oil (10%).

3. Singapore (25.7% in 1982), Japan (20.9%), the EEC (14.4%), and the U.S. (10.7%) are Malaysia's leading export markets. Primary import sources are Japan (24.2%), the U.S. (17.1%), Singapore (15.9%), and the EEC (12.1%).

III. CANADA-MALAYSIA TRADE RELATIONSHIP

1. Canada had a $32.3 million trade surplus with Malaysia in 1982. Canadian exports to Malaysia amounted to $121.5 million in 1982, down 3.3% from 1981. Major Canadian exports include newsprint ($16.8 million in 1982), models for demonstration and parts ($16.5 million), asbestos ($14.6 million), and aircraft assemblies, equipment and parts ($10.1 million). Canada accounted for 1.2% of Malaysia's total imports in 1982.

2. Canadian imports from Malaysia were valued at $89.2 million in 1982, a decrease of 10.8% from the 1981 level. Crude natural rubber (except latex) is the dominant import from Malaysia ($24.4 million in 1982, 27.4% of the total). Other leading imports include textile fabrics ($7.9 million), palm oil ($7.4 million), palm kernel oil ($5.9 million), and clothing ($5.6 million). Canada accounted for 0.5% of Malaysia's total exports in 1982.

3. The Canadian government has recently announced that it will lend Malaysia $143.7 million toward the construction of a pulp and paper mill by a Montreal-led consortium of three international companies.

IV. BRITISH COLUMBIA-MALAYSIA TRADE RELATIONSHIP

1. British Columbia exports to Malaysia in 1982 amounted to $27.1 million, a decline of 25% from the level in 1981. The major exports from British Columbia in 1982 were newsprint ($10.8 million), asbestos ($4.8 million), aluminum ($3.8 million), wrap paper ($3.0 million), and zinc ($2.5 million).

BRITISH COLUMBIA EXPORTS TO MALAYSIA

	($000) 1981	1982
Newsprint paper	10,5[illegible].8	10,750.7
Asbestos milled fibres	6,775.6	4,794.5
Aluminum pigs, ingots, shot, slabs, etc.	11,363.6	3,751.0
Wrap paper, unbl. sulphite/sulphate	2,889.1	3,027.4
Zinc blocks, pigs and slabs	1,126.3	2,482.3
Liner board	791.5	317.2
Apples and crabapples, fresh	303.2	238.0
Wood pulp	469.2	229.4
Corrugating container board, nes	92.8	222.4
Animal oil and fats, nes	115.9	165.6
Other	1,667.2	1,136.3
Total	36,175.2	27,114.8

NEW ZEALAND

NEW ZEALAND FACT SHEET

Head of State:	H.M. Queen Elizabeth II
Governor General:	Sir David Stuart Beattie
Government:	Parliamentary Majority, National Party
Prime Minister:	Robert D. Muldoon
Population	3,190,100
Area:	269,057 sq. km.
Major cities	Auckland 829,519 Wellington 343,982 Christchurch 321,720
Gross Domestic Product (1981 $NZ million)	25,001
GDP Growth Rate:	1981/32: 2.9; 1982/83: -0.7
Total Employment (per '000 persons at February 1981)	1,325.4
Unemployment rate	1981/82: 3.5; 1982/83: 5.3
Inflation	1981: 15.4; 1982: 16.2
Exports ($NZ millions 1982)	7,386.7
Imports ($NZ millions 1982)	7,699.0
New Zealand/Canada Trade ($NZ '000)	278,029
B.C. Exports to New Zealand (1982 Can $):	22,325,013

Exchange rate .84 $NZ/$Can

I. NEW ZEALAND: THE COUNTRY

A. GEOGRAPHY AND POPULATION

1. New Zealand consists of two major islands and several small islands; their combined area totals only 269,057 sq. km. New Zealand's climate is temperate with average temperatures varying from 8° C to 15° C and with average rainfall varying from 60 cm to 150 cm per year. New Zealand's population in March 1981 was 3,175,737 and average population density was 12.0 inhabitants per sq km. The capital of New Zealand is Wellington; other main cities are Auckland and Christchurch.

B. GOVERNMENT

1. Parliamentary government in New Zealand consists of the Head of State, Executive Council, and House of Representatives. HM Elizabeth II is represented as Head of State by the Governor General. He is guided in the execution of power by the executive council which consists of himself and all ministers. The Governor General appoints the Prime Minister and on the Prime Minister's recommendation, all other ministers.

2. The House of Representatives is comprised of 92 members: 88 from the general populous and four seats for persons of Maori descent who choose to be represented by Maori electors. Anyone over 18 years of age may vote in an election for the House of Representatives. Parliament sits for three year terms.

3. New Zealand's Prime Minister is the Right Hon. Robert D. Muldoon. He is the leader of New Zealand's National party which came to power in November 1975. Prime Minister Muldoon has been re-elected twice since then: once in 1978 and again, though narrowly, in 1981. The National Party presently holds 47 seats in the House of Representatives while the Labour Party holds 43 and the Social Credit Party holds two. The next general election in New Zealand is in November 1984.

II. NEW ZEALAND: THE ECONOMY

A. DOMESTIC ECONOMY

1. The largest component of New Zealand's economy is the Manufacturing sector which made up 22.9% of Gross Domestic Product during 1979/80. Other major sectors were Trade, Restaurants and Hotels (20.7%), Community, Social and Personal Services (16.4%), Agriculture, Hunting and Fishing (12.5%) and Finance, Insurance, Real Estate and Business Services (11.6%). Though the size of the manufacturing sector might seem large for an agriculturally-based economy, one-fifth of manufacturing output is related to processing

primary products largely from the forest and agricultural sectors. Agriculture is the mainstay of New Zealand's economy. Agricultural products make up approximately 70% of New Zealand's exports ($6.6 billion in 1981/82). Agricultural exports provide the foreign exchange necessary to purchase raw materials and machinery needed in other sectors.

2. Real growth of New Zealand's economy has been sluggish in recent years and is anticipated to be quite low during the immediate future. This is to some extent the result of slumping prices for New Zealand's export commodities. From 1980 to 1981 GDP growth moved from 0.6% to an estimated 2.25%. The estimated growth rate for 1983, however, was only 1.5%. Unemployment has also risen sharply. It is estimated that 6% of New Zealand's labour force is presently unemployed while an additional 2% are on government-funded job creation projects. Inflation in New Zealand had been persistently high, nearing 17.0% in June of 1982. In that month a 12 month freeze on prices, interest rates, wages, rents and dividends was introduced. This freeze was extended until the end of February 1984.

B. GOVERNMENT ECONOMIC POLICY

1. In addition to slumping export prices, high inflation and unemployment, New Zealand's government faces a budget deficit which has grown from $1.027 billion in 1980 to an estimated $1.7 billion in 1983. New Zealand followed a relatively expansionary fiscal policy from 1980 until 1982 with heavy expenditures on industrial development and transportation. The purpose of this government expenditure was to sustain economic activity until recovery in international markets occurred. As most export markets have remained depressed, the government deficit has grown.

2. Monetary policy in New Zealand was quite expansionary from 1980 until March of 1982 when all the main measures of money supply growth decelerated considerably. Monetary growth continued to remain fairly low until early 1983 when increased reserve bank lending to marketing boards and a marked increase in private capital inflows reversed the trend.

CANADIAN IMPORTS FROM NEW ZEALAND
(CDN $ Thousands)

	1982	1983
Meat, fresh chilled or frozen	87,637	102,956
Other fresh fruits and berries	4,623	12,634
Wool and fine animal hair	8,446	6,513
Dairy produce, eggs and honey	5,630	6,472
Other foods and materials for foods	8,763	5,677
Other crude animal products	3,678	4,273
Outerwear, except knitted	4,538	2,791
House furnishings	1,061	1,279
Leather and leather fabricated materials	1,155	1,150
Other special transactions, trade	2,294	1,124
Other	12,630	11,702
Total	140,455	156,571

CANADIAN EXPORTS TO NEW ZEALAND
(CDN $ Thousands)

	1982	1983
Sulphur	25,864	15,114
Other telecommunication and related equipment	13,550	7,155
Synthetic rubber and plastic materials	9,752	6,447
Fish, canned	6,179	6,029
Newsprint paper	---	4,999
Zinc, including alloys	7,308	4,960
Fertilizers and fertilizer materials	4,417	4,576
Meat, fresh, chilled or frozen	4,745	3,572
Office machines and equipment	4,065	3,169
Organic chemicals	1,524	3,073
Other	78,785	63,268
Total	156,189	122,362

ESTIMATED BRITISH COLUMBIA EXPORTS TO NEW ZEALAND
(CDN $)

	1981	1982
Zinc blocks, pigs and slabs	---	4,687,773
Salmon pink, canned	4,390,716	3,539,888
Lumber, cedar, n.e.s.	1,447,937	2,718,956
Sulphur, crude or refined, n.e.s.	894,276	2,119,434
Pulp and paper industry machinery and equipment	1,119,177	1,230,738
Asbestos, milled fibers, groups 4 and 5	945,638	1,230,030
Salmon, sockeye, canned	917,000	909,695
Pulp and paper industry machinery parts	432,299	645,605
Saws, sawmill machinery, equipment and parts, n.e.s.	429,485	593,599
Pumps and pumping systems	50,727	536,322
Other	11,751,782	4,112,973
Total	22,379,037	22,325,013

PHILIPPINES

PHILIPPINE FACT SHEET

Government:	Presidential/Parliamentary presently controlled by New Society Movement party
Head of State:	President Ferdinand Marcos
Prime Minister:	Cesar Virata
Population (mid-1983 estimate)	52.1 million
Area:	300,000 square kilometres (the 11 largest islands account for 92% of the total area)
Major cities (population 1980)	Manila (1.6 million) Quezon City (1.2 million) Davao (610,375)
Language:	Filipino (Tagalog) is the national language; English is often used in government and commercial circles
Gross Domestic Product (1982 estimate):	US $39.9 billion
GDP Growth Rate:	1981: 3.7%; 1982: 2.8%
Per Capita GDP (1982):	US $786
Labour Force:	19.3 million
Inflation (1982):	9.1%
Exports (1982):	US $4.97 billion
Imports (1982):	US $7.67 billion

I. PHILIPPINES: THE COUNTRY

A. GEOGRAPHY AND POPULATION

1. The Philippines comprises 7,100 islands of which approximately 880 are inhabited. Due to its mountainous terrain and prevailing winds, there are major regional and seasonal differences in climate. Given the proximity to the equator (6°-18° north) the Philippines climate is generally warm with significant precipitation.

2. With a population growth rate of 2.4% and an estimated 52.1 million inhabitants in mid-1983, the Philippines is one of the most densely populated countries in Southeast Asia with 160 people per square kilometre. Population pressures have concentrated in the lowland valley of central Luzon, although government policies in recent years has encouraged more intensive development and settlement of other islands, especially Mindanao

B. GOVERNMENT

1 The Philippine government is a mixed presidential/parliamentary democracy based on a constitution adopted in 1973. Martial law, initially imposed in the Philippines in 1972, was lifted in January, 1981, but under the national security and public order laws, the President still retains considerable power to legislate by decree. In June, 1981, President Marcos was elected to a six-year term.

2. The Philippines has a 185 member elected assembly which has limited powers to legislate. The current national assembly was elected in April, 1981, and all but 17 of the seats are controlled by the government party, Kiluan Bogong Tipunan or New Society Movement. Criticism of President Marcos' government has resulted in the emergence of a number of opposition parties which call for political reforms to make the Philippine government more democratic. The principal opposition parties, organized in a group called the United Democratic Opposition (UNIDO), boycotted the Presidential election in 1981. At present an election for the national assembly seats is scheduled for May 14, 1984.

II. PHILIPPINES: THE ECONOMY

1. Geographically, economic activity is still largely centred on the Luzon, particularly in the Manila area and the central lowland, but government efforts to encourage development of the other islands, especially Mindanao, are showing results. Agriculture (rice, maize, sugar and tropical fruits), forestry and fishing are still among the most important sectors, accounting for approximately 30% of GDP and more than one-half of employment. Rich in minerals (copper, iron ore, manganese, molybdenum, zinc and lead, the Philippines' mining sector became an important area of growth in the 1970's when the government encouraged resource development. In the past several years, weak prices, particularly for non-food commodities, caused a significant downturn in the agriculture and mining sectors of the Philippines' economy.

2. Given the limited scope for employment gains in agriculture and primary industries, the Philippines government has looked to diversification of manufacturing as a primary means of economic growth. Manufacturing industries account for approximately 24% of GDP. Traditionally a large part of Philippines' manufacturing has centred on light manufacturing and processing of primary products, especially agricultural products. Emphasis has been on the development of processing facilities (especially in the forest and non-ferrous metals industries) to increase the employment and income benefits from the country's natural resources. Assembly of imported components has also increased substantially in recent years.

3. The Philippines government is actively involved in promoting industrial development in the economy and it has adopted five and ten year economic development plans. The National Economic and Development Authority is the central agency in state planning. Government policies aimed at developing manufacturing capacity include restrictive import policies to spur import substitution and various fiscal incentives (e.g. export processing zones) to stimulate new manufacturing facilities. During the past ten years clothing, footwear and food manufacturing industries have been leading growth areas and the manufacturing base has diversified into chemicals, cement, electrical machinery and base metal manufactures. However, the level of development is still below that achieved by the more industrialized developing countries in the region such as Singapore and South Korea. In addition, recent economic problems (noted below) have slowed the process and put some development plans on hold.

4. During the 1970's the Philippines' economy expanded consistently at approximately 6% per year, but economic growth slowed by the end of the decade as a result of problems. High inflation, increased oil prices (most oil is imported) and lower export prices due to recession in key export markets resulted in increased government deficits, foreign debt, and slower economic growth. GDP growth rates were 3.7% and 2.8% in 1981 and 1982 respectively, and preliminary 1983 GDP growth figures indicate a further decline in economic performance. The Philippines government has responded to these problems with various policies and some progress has been made controlling government spending and inflation and reducing the dependence on imported oil. In the first half of 1983, there was no real growth in government spending relative to 1982. Inflation, which was in the 10-20% range from 1978-81, was reduced to 9% in 1982. As a result of an aggressive program to shift to indigenous resources, particularly coal, geothermal and hydroelectric, imported oil now accounts for about 70% of energy consumption compared to an over 90% dependence in the 1970's.

5. The Philippines balance of payments deficit in the late 1970's was financed by a large increase in foreign borrowing. The Philippines is now faced with a major problem in trying to service a foreign debt of approximately US $25 billion. The International Monetary Fund continues to be involved in the management of the Philippines economy as a condition of Philippine access to IMF credit facilities. Of particular importance to foreign businessmen has been the Philippine government's recent actions in tightening import controls and other business activities involving foreign exchange.

6. The Philippines is a middle income developing country with an estimated per capita of US $786 in 1982.

III. PHILIPPINES: EXTERNAL RELATIONS

1. The Philippines economy is only moderately export oriented. As a result of recession in its major markets, the share of exports in GDP fell from 16% in 1980 to 12.5% in 1982. Weak demand for key agricultural and mineral commodities in the major industrialized economies was the main factor in the decline of Philippines' total exports from US $5.74 billion in 1980 to US $4.97 billion in 1982. Import levels in the same period were largely unchanged (averaging US $8.33 billion/yr), but the Philippines' annual trade deficit widened from $2.5 billion to $3.2 billion, which in turn contributed to the Philippines' worsening current account deficit.

2. The Philippines is a member of ASEAN which provides for limited preferential trade between member states. Philippines' trade within ASEAN is minor (accounting for 6% of total trade) compared to the over 70% interdependence in two-way trade between the Philippines and the industrialized economies of the world. In 1982 the Philippines' principal export markets (in US million dollars) were: USA (1,580), Japan (1,145), West Germany (196), U.K. (189), Malaysia (178), and Singapore (111). Principal sources of Philippines' imports in 1982 (in U.S. million dollars) were: USA (1,866), Japan (1,645), Saudi Arabia (940), West Germany (355), Kuwait (298), Singapore (229), and Hong Kong (219).

3. Philippines' trade by commodity group in 1981 (in U.S. million dollars) was as follows:

Exports		Imports	
Coconut oil	533.5	Mineral fuels, lubricants & related materials	2,458
Copper concentrates	429.4	Non-electric machinery	945
Sugar	566.6	Transport equipment	460
Gold (from copper ore & concentrates	215.2	Base metals	408
Lumber	125.7	Electrical machinery apparatus & appliances	392
Plywood	110.7	Chemical elements & compounds	298
Desiccated coconut	101.9	Cereals & cereal preparations	230
Logs	76.3	Explosives & missal chemical materials	214
Iron ore	56.8	Other	3,064
Copra	33.6		8,469
Other	3,404.9		
	5,654.6		

IV. CANADA-PHILIPPINE TRADE RELATIONSHIP

1. Trade between Canada and the Philippines takes place under a bilateral trade agreement and the GATT. The Philippines is a beneficiary country under Canada's General Preferential Tariff. Exports of certain Philippines cloth-

ing and textile products to Canada are limited under a five year bilateral restraint agreement negotiated in 1981.

2. Currently Canada and the Philippines are not major markets for each other's products. Canada's $102.5 million in exports to the Philippines in 1982 represented less than 1% of Canadian exports and 1.2% of Philippines' imports. The Philippines $82.2 million in exports to Canada accounted for only 1.7% of Philippine exports and less than 1% of Canadian imports.

3. The near term outlook for Canada-Philippine trade is clouded by the financial difficulties in the Philippines and the uncertainty surrounding business transactions involving foreign exchange. Despite this cautionary note, it is anticipated that the Philippines' industrialization drive will continue, necessitating continued importation of essential capital goods.

CANADIAN EXPORTS TO PHILIPPINES

	(C$ thousands) 1981	1982
Fertilizers and fertilizer materials	11,677	15,117
Ships, boats and parts	42	11,418
Zinc, including alloys	4,002	9,876
Iron ores and concentrates	8,881	7,223
Textile and related fibres	1,793	6,428
Other telecommunication and related equipment	10,682	5,211
Plate, sheet and strip, steel	43	4,241
Other general purpose industrial machinery	1,828	3,892
Primary iron and steel	—	3,779
Wood pulp and similar pulp	6,002	3,413
Other	38,146	31,889
Totals	83,096	102,487

CANADIAN IMPORTS FROM PHILIPPINES

	(C$ thousands) 1981	1982
Outerwear, except knitted	12,008	11,101
Other apparel and apparel accessories	9,607	8,826
Fruits and products, canned	8,370	6,769
Vegetable oils and fats, except essential oil	10,741	6,225
Fish and marine animals	6,244	5,588
Nuts, except oil nuts	5,751	4,220
Furniture and fixtures	5,696	4,176
Footwear	5,344	3,971
Coffee	1,138	3,884
Electronic tubes and semi-conductors	6,148	3,112
Other	37,635	24,307
Totals	108,682	82,179

V. BRITISH COLUMBIA-PHILIPPINES TRADE RELATIONS

1. British Columbia's exports to the Philippines increased by 53% in 1982. However, the growth is largely attributable to new sales in one category (ships and boats, nes).

BRITISH COLUMBIA EXPORTS TO PHILIPPINES

	(C$ thousands) 1981	1982
Ships and boats, nes	--	9,852.5
Ammonium nitrate	7,030.7	5,499.5
Zinc blocks, pigs and slabs	948.7	4,642.7
Wood pulp	6,001.7	3,412.6
Parts & access. for ships and boats, nes	37.2	1,556.8
Groundwood printing paper, nes	1,179.7	1,272.4
Aluminum pigs, ingots, shot, slabs, etc.	32.8	650.9
Bulldozing and similar equipment and parts	--	261.1
Aircraft assemblies equipment and parts, nes	391.4	234.4
Mining quarry machinery equip. and parts, nes	300.0	220.1
Other	3,094.6	1,425.7
Totals	19,016.8	29,028.7

SINGAPORE

SINGAPORE FACT SHEET

Head of State:	President C.V. Devan Nair
Prime Minister:	Lee Kuan Yew
Population (mid-1982 estimate):	2.5 million
Area:	618.1 square kilometres
Gross Domestic Product (1982 estimate):	US $14 billion
GDP Growth Rate:	1981: 9.9%; 1982: 6.3%
Inflation (1982):	3.9%
Unemployment Rate (1982):	2.6%
Exports (1982):	US $20.8 billion
Imports (1982):	US $28.2 billion

I. SINGAPORE: THE COUNTRY

A. GEOGRAPHY AND POPULATION

1. The Republic of Singapore is a city state on an island off the Malay Peninsula. It covers an area of 617.8 square kilometres. Singapore is the world's second busiest port and is an important production and distribution centre due to its geographic location at the turning point between the Indian Ocean and the South China Sea.

2. The population of Singapore was estimated to be 2.5 million at the end of 1982. Of the total, 76.7% were of Chinese descent, 14.7% were Malay, 6.4% were Indian, and 2.2% other. Singapore has one of the world's highest population densities at over 4,000 people per square kilometre.

B. GOVERNMENT

1. Singapore has a representative system of government consisting of the President as head of state and a 75-member legislature. The President is elected by parliament for a term of four years. He usually acts on the advice of a cabinet which is comprised of legislative members and the Prime Minister.

2. Parliamentary elections must be held every five years. The last election was in 1981. At the present time, 74 of 75 seats are held by the People's Action Party which first obtained power in 1959; the remaining seat is held by the Singapore Workers Party and represents the only opposition seen in Singapore's parliament since the mid-1960's.

3. Singapore's current President is Mr. C.V. Devan Nair; Singapore's Prime Minister is Mr. Lee Kuan Yew.

II. SINGAPORE - THE ECONOMY

A. DOMESTIC ECONOMY

1. Singapore has a history of high rates of economic growth. Between 1968 and 1974 Singapore had an average annual GDP growth rate of approximately 12%. During the mid-1970's, growth slowed to 7.8% (in 1974) but recovered towards the end of the decade with rates of 9.3% in 1979 and 10.2% in 1980. During 1981 Singapore's growth trend continued as GDP rose 9.9%, but the effects of the world recession finally impacted in 1982 and GDP growth slowed to 6.3%. In addition to high rates of economic growth, Singapore has impressively low levels of unemployment and inflation. During 1981 the officially estimated unemployment rate was 2.9%. Inflation, which rose significantly in 1979 and 1980, fell from 8.2% in 1981 to only 3.9% in 1982.

2. The centre of Singapore's economy has been its manufacturing sector. Manufacturing accounted for 22% of real GDP during 1981. This sector has

grown rapidly since 1960 when it accounted for only 12.4% of GDP. Government stimulus has been a major factor behind the growth of manufacturing. The government's Economic Development Board was a significant force in promoting Singapore's industrial estates and in financing industrial projects. Industrial policy has been focused towards promoting export oriented, labour intensive industry, therefore capitalising on the natural strengths of the island economy. Major industries include transport equipment, electrical and electronics, shipbuilding, and petroleum products.

3. During 1982 the effects of the world recession had a significant impact on the manufacturing sector. Output fell by about 6% from 1981. The most seriously affected industries were in areas like textiles and timber where value added is quite low. A rapid rate of growth in the construction industry, however, helped to maintain Singapore's relatively high rate of growth (in comparison with other ASEAN nations). Government housing and urban renewal projects contributed significantly to the construction boom. As the world recovery gathers strength in 1984, renewed growth in manufacturing is expected.

B. EXTERNAL POSITION

1. In 1982 Singapore's total exports were valued at US$ 20.8 billion with imports valued at $US 28.2 billion. This left a trade deficit, characteristic of Singapore's trade performance, of US$ 7.4 billion.

2. Petroleum products are Singapore's leading export, accounting for almost one-third of total exports in 1982. Other leading exports include machinery and transport equipment (26%) and basic manufactures (8.6%).

3. Malaysia (17.7% in 1982), the U.S. (12.6%), and Japan (10.9%) are Singapore's leading export markets. Primary import sources are Japan (17.9%), the U.S. (12.9%), and Malaysia (12.2%).

III. CANADA-SINGAPORE TRADE RELATIONSHIP

1. Canada had a trade deficit with Singapore of $9.3 million in 1982. Canadian exports to Singapore amounted to $154.3 million in 1982, an increase of 5.9% from 1981. Major Canadian exports include potassium chloride muriate ($26.8 million in 1982), aircraft engines, assemblies and parts ($13.7 million), models for demonstration, etc., and parts ($9.2 million), gold ($8.1 million), and soya beans ($7.9 million). Canadian exports amounted to 0.4% of Singapore's total imports in 1982.

2. Canadian imports from Singapore were valued at $163.6 million in 1982, a decline of 6.3% from the 1981 level. Civil aircraft (3 engines or more) was the leading import from Singapore in 1982 with a value of $41.3 million. Other leading imports include crude natural rubber, except latex ($26.1 million), refrigeration compressor units ($13.6 million), and clothing ($9.6 million). Canada accounted for 0.6% of Singapore's total exports in 1982.

IV. BRITISH COLUMBIA-SINGAPORE TRADE RELATIONSHIP

1. British Columbia exports to Singapore in 1982 amounted to $22.9 million, a decline of almost 20% from the level in 1981. The major exports from British Columbia in 1982 were newsprint ($4.6 million), zinc ($4.3 million), wrap paper ($4.0 million), groundwood printing paper ($1.4 million), linerboard ($1.1 million), and asbestos milled fibres ($1.0 million).

BRITISH COLUMBIA EXPORTS TO SINGAPORE

	($000)	
	1981	1982
Newsprint paper	5,669.9	4,555.5
Zinc blocks, pigs and slabs	2,888.8	4,330.8
Wrap paper	8,338.2	3,955.1
Groundwood printing paper, nes	2,666.7	1,390.3
Liner board	3,092.8	1,122.1
Aircraft assemblies, equipment & parts, nes	1,810.6	1,100.7
Asbestos milled Fibres	20.1	1,039.5
Parts & Accessories for ships and boats, nes	575.2	779.9
Apples and crab-apples, fresh	231.9	428.6
Cranes and derricks	35.7	389.5
Other	3,209.0	3,830.0
Total	28,538.9	22,922.0

SOUTH KOREA

SOUTH KOREA FACT SHEET

President:	Chun Doo Hwan	
Population (mid-1982):	39.3 million	
Area:	98,824 square kilometres	
Gross National Product (1982 est.):	US$66.2 billion	
GNP growth rate:	1981: 7.1% - 1982: 5.8%	
Inflation rate (1982):	4.8%	
Exports (1982):	US$21 billion	
Imports (1982):	US$23.4 billion	
Capital:	Seoul	
Major cities with Nov. 1981 population (thousands)	Seoul	8,366.8
	Busan	3,160.3
	Taegu	1,607.5
	Inchon	1,084.7
	Kwangju	727.6
	Taejon	651.6
	Masan	386.8
	Chonja	367.0

SOUTH KOREA: COUNTRY OUTLINE

A. Political Environment

1. South Korea's political system was seriously destabilized following the assassination of President Park Chung Hee in October, 1979. After President Park's death, Chun Doo Hwan emerged, with the backing of the military, as the South Korean leader. Mr. Chun was sworn in as president in March, 1981, and subsequent parliamentary elections resulted in Mr. Chun's Democratic Justice party winning a majority in parliament.

2. President Chun's regime has set out to undertake political, economic and social reforms, centred around populist principles. Prominent among the reforms is a commitment to move the economy towards greater free enterprise with less direct government intervention. Political liberalization, as pledged by President Chun, has been slow to develop.

3. As a result of the perceived lack of democratic reform, an undercurrent of dissidence exists among some groups in South Korea, particularly among students and Christian churches. Anti-America sentiment is growing due to the U.S. support of President Chun and recent strengthening of official ties between the two countries.

4. Under the new president, South Korea has made attempts to open relations with North Korea. North Korea, however, has remained inflexible in its attitude towards the South and tensions remain high along the border, which is patrolled by United Nations and American troops. Fear exists among many South Koreans over a possible closer relationship between the Soviet Union and North Korea.

5. Tensions between the South and North have intensified following the death of sixteen South Korean officials in a bomb blast in Rangoon, Burma, on October 8, 1983. Among those killed were four South Korean cabinet ministers: Suh Suk Joon (Deputy Premier and Economic Planning Minister), Lee Bum Suk (Foreign Minister), Kim Dang Whie (Commerce and Industry Minister), and Suh Sang Chul (Energy and Resources Minister). Also killed was Dr. Kim Jae-ik, chief presidential secretary for economic affairs. South Korea has blamed the North for the bombing.

6. The population of South Korea in mid-1982 was 39.3 million.

B. The Economy

1. The Korean economy began to recover in 1981 from a 1980 recession. GNP grew by 7.1% (real) in 1981 after a decline of 6.2% in 1980. Growth continued in 1982 although at the slightly slower rate of 5.8%. Estimates of future annual GDP growth are in the order of 7.5% per year until 1986. The inflation rate fell dramatically from 35% in 1980 to 4.8% in 1982 as a result of the stablilization of food prices, reduced import prices, lower domestic interest rates, and a more stable exchange rate.

2. South Korea's economy expanded rapidly between 1961 and 1979. A few large, diversified business conglomerates (such as Hyundai, Daewoo, Samsung and Lucky), developed with the assistance of government incentive programs, provided an impetus for growth over this period. President Chun's regime is currently pursuing various policies aimed at divesting some branches of these huge companies.

3. The combination of a bad rice harvest, the second oil crisis, and a loss of competitiveness in international markets due to increased labour costs led to the economic recession of 1980. However, now that the recovery is underway, South Korean officials are confident of steady economic growth through the 1980's, although at a slower but more stable rate. Programs aimed at providing growth are laid out in the fifth 5-year (1982-86) Economic and Social Development Plan. Under the plan, the government will increase the role of market forces in the economy and increase the role of businessmen in government management of the economy. As well, social development and improved income distribution are given a high priority.

5. Major industries in South Korea include shipbuilding, textiles, agricultural processing, chemicals, electricial machinery, electronic products, and iron and steel. Industrial policy under the current 5-year plan is aimed at moving away from labour-intensive light industries such as textiles (partly due to increasing labour costs) towards electronics, machinery, and engineering industries. Due to high costs, current world overcapacity and uncertain demand for the end products, the construction of South Korea's second integrated steel mill, its third petrochemical complex, and pulp and paper plants are all postponed under the plan.

6. The official 5-year plan also calls for liberalization of foreign investment and of import and credit markets. Most of South Korea's big businesses grew on low, government-subsidized loans from Korean banks. However, President Chun's regime is moving to place the banking system in the private sector. As a result, interest rates will become market determined and higher which, hopefully, will increase the domestic savings rate. Higher domestic savings are expected to reduce the country's reliance on international capital markets in which it is the world's third largest borrower.

7. Foreign capital will continue to play a key role in South Korea's development over the course of the plan. Approximately US$6 billion per year foreign finance, mainly from concessionary sources, will be required. Total external debt by 1986 is expected to be in the order of US$49 billion. In addition, the 5-year plan aims at attracting new levels of foreign investment, with the vast majority coming from the United States and Japan.

8. The South Korean government has relaxed some import regulations recently, and some liberalization is expected in the future. However, there are a great number of tariff and non-tariff trade barriers in existence which reflect the government's commitment to domestic supply sources.

9. Research and development into new technologies has a key role in the 5-year plan. Research spending is expected to increase from $1 billion to $2 billion by 1986. Specialized chemicals, semiconductors and computers are among targeted areas.

C. Foreign Trade

1. Korea's Economic and Social Development Plan calls for the export sector to play the leading role in the country's economic growth. South Korea's total 1982 exports were valued at US$20,961 million with imports valued at $23,361 million. The United States and Japan are South Korea's main trading partners; the United States accounts for roughly 25% of South Korea's exports and imports with Japan accounting for around 20%. However, the Middle East, Latin America and Western Europe have increased in importance in recent years. In 1981, Korean exports consisted of: textiles and footwear (33%), machinery and transport equipment (18%), iron and steel (14%), other light manufactures (14%), other heavy industrial products (11%), agricultural products (7%), and raw materials (3%).

2. The 5-year plan aims at having a 12% per annum increase in the value of exports to 1986 and a 9% per annum growth in imports. Among the most promising export industries are shipbuilding, electronics, machinery, and motorcar parts. In addition, tourism, overseas construction, and cargo transport are expected to show large increases. The growth in exports from these industries will be at the expense of light industrial goods such as clothing and shoes.

3. Future import demand will be strong for industrial raw materials (coal, chemicals, scrap metals and logs), heavy machinery, and high technological, scientific products. As well, export potential exists in the nuclear power sectors, grains, aircraft, and pulp.

4. Canadian exports to South Korea amounted to C$487.8 million in 1982; imports from South Korea were valued at C$586.3 million. Coal is by far the leading Canadian export to South Korea, accounting for almost 30% of exports in 1982. Other major exports include telecommunications equipment, fertilizers, engines and turbines, sulphur, pulp, and copper. Outerwear is the leading import from South Korea; other important imports include footwear, televisions, radios and phonographs, and other apparel.

5. British Columbia's exports to South Korea in 1982 amounted to C$180.3 million, with coal accounting for 61%. Pulp and copper are other leading exports from British Columbia.

D. Cultural

1. South Korea will be the host of the 1988 Olympic Games. The Games have a significant role in South Korea's economic and social reforms as they provide a vehicle for displaying South Korea to the world. It is hoped that the Games will encourage more investment in South Korea, advance the country's international status, and improve diplomatic relations with North Korea.

EXPORTS OF BRITISH COLUMBIA PRODUCTS TO SOUTH KOREA

	(c$ millions)	
	1981	1982
Coal	112.2	110.6
Wood pulp	41.3	20.0
Copper in ores, concentrates & matte	23.7	17.4
Fuel oil, heavy no. 4-6 and bunker	-	7.6
Aluminum pigs, ingots, shot slabs, etc.	6.9	7.5
Telephone apparatus equipment & parts	2.0	2.8
Herring roe	2.0	2.7
Pelleted screenings	1.2	2.3
Waste paper nes	1.1	1.2
Winches and windlasses	-	1.1
Other	7.4	7.1
Total	197.8	180.3

CANADIAN EXPORTS TO SOUTH KOREA

	(c$ millions)	
	1981	1982
Coal and other crude bitumin substances	125.9	141.0
Other telecommunication & related equipment	17.2	55.4
Fertilizers & fertilizer materials	42.8	34.9
Engines & turbines, general purpose	24.8	26.7
Sulphur	29.1	26.1
Wood pulp and similar pulp	57.3	21.5
Copper in ores, concentrates and scrap	29.2	20.6
Live animals	8.2	16.4
Raw hides and skins	20.4	16.4
Oils, fats, waxes, extracts & derivatives	16.9	13.0
Other	73.0	115.8
Total	444.8	487.8

CANADIAN IMPORTS FROM SOUTH KOREA

	1981	1982
Outerwear, except knitted	99.3	123.7
Footwear	65.6	53.6
Outerwear, knitted	47.9	52.8
Television, radios and phonographs	63.1	50.4
Other apparel & apparel accessories	30.1	30.3
Other personal and household goods	19.8	21.0
Other telecommunication & related equipment	18.1	20.0
Games, toys and children's vehicles	11.8	19.6
Sporting and recreation equipment	15.1	14.4
Kitchen utensils, cutlery, tableware	15.9	13.9
Other	221.5	181.6
Total	608.2	586.3

THAILAND

THAILAND FACT SHEET

Head of State:	King Bhumidol Adulyadej (Rama IX)
Government:	Four-party coalition - government made up of the following parties: Social Action, Democratic, Thai National Democratic and Thai Citizen's Party
Prime Minister:	General Prem Tinsulanonda
Population (1983):	50 million Urban 12%/Literate 70%
Area:	514,000 square kilometres
Major cities (population):	Bangkok (Krung Thep) 4.5 million Chian Mai 165,000 Khorat 150,000
Gross National Product (1983):	US $40 billion
per capita:	US $800
GDP Growth Rate:	1982: 4%; 1983: 6%; 1984: projected 6%
Labour Force (1980):	22.7 million
% labour force in agriculture:	70%
Inflation (1983):	2.0%
Exports (1982):	US $7.5 billion
Imports (1982):	US $9.1 billion
Currency:	Baht (exch.rate (US) $1=23 Baht)

THAILAND - THE COUNTRY

A. GEOGRAPHY AND POPULATION

1. Thailand is bordered by Laos and Kampuchea on the north and east, Burma on the north and west, and the Gulf of Thailand and Malaysia on the south. The country is made up of four geographical regions: the mountainous north, the northeastern plateau, the central plains, and the southern peninsula. Two-thirds of the population lives in the northeast plateau and the central alluvial plains. Thailand, which lies mainly between 6 and 20 degrees north of the equator, has a tropical-monsoon climate with a rainy season between May and November.

2. Approximately 80% of Thailand's population are ethnically Thais and another 10% are of Chinese descent. The latter play a major role in the country's business activities and are assimilating to the Thai majority. Recently, Thailand has received refugees from Laos, Kampuchea and Vietnam.
Thailand's population is largely rural and is involved mainly in agriculture; only 12% live in urban areas. Thai buddhism is practiced by 90% of the population, many Thai's of Chinese descent are confucist, and there is also a small moslem minority in the south.

B. GOVERNMENT

1. Thailand is a constitutional monarchy under a constitution promulgated in December 1978. This constitution, which allows for an appointed Senate and an elected House of Representatives, was established after several years of military rule.

2. The most recent elections, which were held in April of last year, did not give any one party a majority. The four-party coalition which is presently in power was formed by General Prem, who has been Prime Minister since 1980, after several weeks of negotiations. Despite the constitution allowing for an elected parliament, there is still considerable military influence and involvement in the Thai government.

3. For the purposes of administration, Thailand is divided into 72 provinces (changwads), each under the control of a changwad governor. These provinces are further subdivided into 576 districts (amphurs).

4. Unlike the other nations of South-East Asia, Thailand was never under direct European control. Throughout the 19th century, after being forced to open their country to trade with Europeans, Thais maintained their independence by careful dealings with the European powers and by serving as a buffer between French and British interests. Rule by Thailand's kings came to an end with the coup of 1932, after which the Thai government was controlled by a bureaucratic-military elite. Thai governments since the second World War have generally been dominated by these elites, even in periods of "democratic rule". Throughout this latter period the Kings, who retained their ceremonial role as Chief of State, have remained removed from politics and have served as a symbol of national unity.

THAILAND - THE ECONOMY

A. DOMESTIC ECONOMY

1. Since the 1950's Thailand has experienced considerable economic growth; between 1961 and 1979 the Thai economy grew at an average real rate of 6.7% per year. This growth, however, has been erratic and slowed in the period 1979 to 1982. Recent projections point to a resurgence of growth. Inflation increased in the late 1970's and peaked in mid-1980 at an annual rate of 20%. More recently, this inflation rate has been reduced to an annual rate of 4.0%.

2. Agriculture, which has traditionally been the dominant sector of the Thai economy, accounted for 30% of GNP and employed 75% of the labour force in 1975. In 1981, this sector's share of GNP had declined to 25% and its share of the labour force had been reduced to two-thirds. This relative decline, however, is not a result of a lack of vigour; from 1970 to 1975, for example, agricultural output grew at an annual rate of 5.1% (while the manufacturing sector in comparison grew at a rate of 9.8%). Increases in agricultural output have tended to exceed the population growth rates of roughly 2% a year.

3. Thailand is the world's largest exporter of rice, the second for rubber, and the fifth for sugar and cassava. Agricultural exports account for over half of Thailand's export earnings. There has also been considerable diversification in Thai agriculture, with expansion particularly of cassava, sugarcane, corn and pineapples.

4. The manufacturing sector has been growing rapidly and now accounts for over 20% of GNP and employs 6% of the labour force. A textile industry has been developed and Thailand hopes to establish an electronics assembly sector. Agro-industries are also expanding, the Thai canned pineapple industry already supplies half the world market. One reason for these successes has been the availability of low-cost labour.

5. Until the end of the 1970's, 75% of Thailand's energy needs were met by oil imports, and as recently as 1981 the cost of these oil imports equalled 40% of export earnings. Extensive natural gas reserves have been found in the Gulf of Thailand and natural gas was first pumped ashore in September of 1981. In 1982 production was 140 million cubic metres per day. Also, small but commercially viable oil reserves have been found in the north of the country and small-scale production started in 1983 at about 4,000 barrels per day, rising to almost 10,000 by the end of the year. (This output, however represents a fraction of Thailand's consumption; imports are in the order of 170,000 barrels per day.)

6. Gross domestic product by shares is as follows (1979):

		Percent
Agriculture		25.8
Crops	19.3	
Livestock	3.0	
Fisheries	2.6	
Forestry	.9	
Mining, quarrying		2.4
Manufacturing		19.3
Construction		5.6
Electricity, water supply		1.0
Transportation, communications		6.3
Trade		20.0
Banking, insurance, real estate		5.5
Ownership of dwellings		1.2
Public administration, defence		3.8
Other services		9.1
	Total	100.0

B. EXTERNAL POSITION

1. Thailand has, for the last 10 years, consistently had trade deficits. Until 1982 these deficits had been growing, mainly because of increased oil prices, restricted growth of export opportunities as a result of quotas on Thailand's clothing and textile exports, and increased competition and depressed world prices of primary commodities.

2. In 1982 the trade deficit was halved from US $2.4 billion in the previous year to $1.2 billion. Some of this improvement is attributable to a 10% decline in imports. This decline of imports was facilitated in part by the substitution of production from recently developed natural gas reserves for imported oil. However, in 1983, as a result of growing domestic demand for non-oil products, the deficit increased again.

3. In 1981 debt servicing absorbed less than 7% of earnings from exports. Despite recent trade deficits, Thailand has not had to undertake the type of foreign borrowing which lead to financial problems for other countries. In 1982, large private capital inflows and disbursement of loans by state enterprises gave a balance of payments surplus in that year of US $100 million, and the impact of the 1983 trade deficit has been cushioned by remittances from Thai workers abroad, capital inflows and earnings from tourism.

4. There has been a rapid increase in tourism in recent years. The number of visitors in 1980 was 1.7 million and annual earnings from tourism are now approaching US $1 billion. The greatest numbers of visitors have been from Malaysia, Japan and the U.S.

5. Most of Thailand's exports are agricultural and primary products; rice, rubber, corn and tin metal are leading export items. The agro-industry is the source of much of Thailand's manufactured exports, while textiles and clothing account for a large share of the rest of the exports from the manufacturing sector.

6. Imports are mainly petroleum and manufactured goods. Thailand is basically self-sufficient in food and is striving to substitute domestic energy production for petroleum imports.

7. Thailand's major country export markets are Japan, the U.S., Singapore and the Netherlands. The bulk of its imports come from Japan, the U.S., Saudi Arabia and Singapore.

THAILAND'S FOREIGN TRADE BY COMMODITY

Exports, 1979	%	Imports, 1979	%
Rice	14.4	Food	2.7
Rubber	11.4	Beverages & tobacco	.8
Tin metal	8.5	Crude materials	7.8
Kenaf and jute	.4	Mineral fuels & lubricants	22.3
Corn	5.2	Animal & vegetable oils & fats	.3
Teak & other woods	.1	Chemicals	14.9
Tapioca products	9.1	Basic manufactures	17.6
Sugar	4.4	Machinery	26.2
Other	46.5	Other	7.4
	100.0		100.0

III. CANADA-THAILAND TRADE RELATIONS

1. Canada imported goods worth $60.5 million from Thailand in 1983, up from $33.8 million in the preceding year. These imports were only .1% of Canada's total imports and less than 1% of Thailand's exports.

2. Almost half of Canada's imports from Thailand in 1983 were food products, of which fish products made up a large part of these importations. Most of the rest of Thailand's exports to this country were clothing and textiles.

3. Thailand imported $146.5 million of goods from Canada in 1983, giving Canada a trade surplus with that country of $86 million (Thai imports from Canada were $143.8 million in 1982 giving a trade surplus of $110 million).

4. Machinery ($45 million), aluminum ($29 million), asbestos ($15 million), synthetic rubber and plastics ($8 million), and zince ($4 million) account for 70% of Canada's exports to Thailand in 1983. The level of trade in these commodities has tended to fluctuate; for example, exports of aluminum to Thailand in 1981 were worth $29.6 million, in 1982 this figure dropped to $9.3 million, and in 1983 it rebounded to $28.8 million.

CANADIAN EXPORTS TO THAILAND

	(C$ thousands) 1982	1983
Machinery	31,133	45,300
Aluminum	9,290	28,858
Asbestos	10,416	15,270
Synthetic rubber & plastic materials	18,594	8,170
Steel	11,700	7,519
Textile & related fibres	6,389	5,247
Zinc	4,988	4,267
Pulp	4,010	3,642
Newsprint	6,158	3,512
Telecommunications equipment	7,623	2,627
Aircraft parts	5,410	1,746
Other	28,994	20,328
Totals	143,805	146,486

CANADIAN IMPORTS FROM THAILAND

	(C$ thousands) 1982	1983
Fish & marine animals	5,237	16,067
Textiles	3,932	6,879
Clothing	6,102	10,875
Canned fruits (pineapples)	5,851	6,726
Cereals (rice)	1,954	3,012
Furniture & fixtures	1,599	2,550
Natural & synthetic gem stones	1,557	1,963
Kitchen utensils, cutlery, tableware	1,056	1,096
Other	6,497	11,386
Totals	33,785	60,554

5. Thailand is a beneficiary of the General Preferential Tariff (GPT), which is a provision under the GATT whereby the exports of certain developing countries to the developed-country signatories of the GATT are duty-free or are subject to reduced tariff rates. Under this provision, over half of Thailand's exports to Canada are not subject to tariffs.

IV. BRITISH COLUMBIA - THAILAND TRADE RELATIONS

1. British Columbia's exports to Thailand totaled $22.4 million in 1982, down from $53.3 million in 1981. Indications are that exports increased in 1983, although not necessarily to 1981 levels.

Aluminum ($8.9 million), zinc ($3.8 million), wood pulp ($3.7 million), newsprint ($2.0 million), and asbestos ($1.7 million) were British Columbia's major exports to Thailand in 1982; together they accounted for

approximately 90% of British Columbia's exports to that country. Despite fluctuations, this group of commodities has accounted for the bulk of British Columbia's exports to Thailand for the last several years.

2. Much of the aluminum which is exported to Thailand is re-exported in extruded form to the Middle East by Alcan Thai (a subsidiary of Alcan).

BRITISH COLUMBIA EXPORTS TO THAILAND

	(C$ thousands) 1981	1982
Aluminum	19,641	8,880
Zinc	5,000	3,820
Wood pulp	6,009	3,708
Newsprint	2,612	2,656
Asbestos	1,202	1,654
Laboratory & optical instruments, parts	3,557	0
Telecommunications equipment	611	138
Other	4,674	1,555
Totals	53,306	22,411

3. Major British Columbia companies shipping to Thailand include: Crown Forest Products (pulp); Seagold Industries Ltd. (desalinization pump); Western Scale Co. (weigh scales); Exports Sales Co. (newsprint); Okanagan Helicopter (services); MDI (remote sensing); A E L Microtel (microwave); Swan Wooster (engineering); and Alcan (aluminum).

COUNTERTRADE

SECTION III

A NOTE ON COUNTERTRADE

Countertrade is a term used to describe a variety of barter-like commercial transactions frequently used in trade with eastern bloc or less developed countries. The most important feature of countertrade transactions is an agreement by the exporter to purchase goods from the country using countertrade, equal to a percentage of the value of the exports sold. Countertrade deals have attracted considerable attention from the Canadian commercial community and have evoked popular appeals to government for information and support. Despite the attention given to countertrade, recent assessments by OECD researchers place a maximum estimate of the proportion of world trade consisting of countertrade transactions at less than 10%; moreover, countertrade can be regarded as a costly and potentially wasteful way of conducting business. The use of countertrade and its potential implications for the future are briefly described in this paper.

1. Categories of Countertrade Transactions

Countertrade transactions are heterogenous in nature but can be loosely divided into two categories based on size and time necessary for completion. They are: (a) routine commercial compensation transactions and (b) larger industrial compensation transactions. Types of transactions in the commercial compensation category include barter transactions, counterpurchase transactions, and precompensation deals. Industrial compensation transactions include buy back agreements and framework agreements.

Commercial Compensation Transactions

Of the commercial compensation transactions, barter transactions are the least frequently used. Barter transactions consist of a direct exchange of goods without transfer of funds. They are also difficult and costly to arrange and, therefore, do not account for a significant portion of countertrade.

Counterpurchase transactions are the most popular type of commercial compensation transaction. In counterpurchase deals, two separate contracts govern the exchange of unrelated products. The first contract, that used for exporting into the nation using countertrade, is a standard sales agreement. The supplier receives full cash payment for this contract but must, within a specified time period, purchase goods in cash under the second contract equal to a percentage of the value of the first contract. The two sales agreements are linked by a document known as a protocol of intent. Reciprocal purchases are usually carried out within two to three years of the date of the first sale. Price agreements for counterpurchase products are usually specified in the later sales contract.

Precompensation deals are another, much less frequently used form of commercial compensation transaction. They are in fact variants of counterpurchase deals. In a precompensation agreement, goods, usually from an eastern bloc nation, are purchased first and are paid for immediately. The amount of

the purchase is then entered into an "evidence account" in the name of the western firm which will subsequently obtain orders from its eastern partner for all or part of this amount.

Industrial Compensation Transactions

Of transactions in the industrial compensation category, buy-back agreements are the most frequently used. Buy-back agreements are used in the sale of machinery or other equipment to a country using countertrade. Output produced by the imported machinery, is purchased by the exporter up to an agreed percentage of the value of the imported machinery. As in the case of counter-purchase, two separate contracts are signed, invoicing is in a convertible currency, and third parties may participate in the sale of buy-back products.

Framework ageeements, also known as long-term protocols, are another form of industrial compensation agreement governing in a general way the relationship between trading partners. These agreements are usually very long term and provide for the exchange of goods, the nature, timing and value of which are determined by special agreements.

2. Who Uses Countertrade?

(a) The Eastern Bloc and Countertrade

The most frequent use of countertrade is in trade with eastern bloc European nations. Countertrade transactions may account for as much as 30% of east-west trade. In eastern bloc nations, bilateral balancing of trade is an important policy imperative because there are no linkages between the centrally planned domestic economy and the market-driven international economy.

In the east, prices and output decisions are made by central planners. Production schedules are not allowed to be greatly disrupted by external market driven demand forces. All trade between countries in the eastern bloc is bilaterally balanced (often using dollar prices as a guide) because potential currency surpluses or deficits that would occur if trade were not balanced could only be accommodated by disruption of production schedules and additional purchases of commodities. Countertrade between the west and the eastern bloc can be seen as an extension of this bilateral balancing principle. Eastern bloc nations seek to minimize non-equilibrating trade deficits in order to maximize the stability of exports and imports. Countertrade transactions circumscribe the forementioned problems and avoid potential disruption of 5-year plans; they are usually implemented through comprehensive import and export licensing procedures and full foreign exchange controls.

(b) LDC's and Countertrade

Another group that has turned towards the use of countertrade during recent years is the less developed nations (LDC's). OECD estimates place the percentage of LDC-industrialized country trade accounted for by countertrade at about 2-3%. LDC's use countertrade in trade with the eastern bloc and, more and more frequently, in trade with developed nations. In trade with the eastern bloc, LDC's have sometimes been pressed into using countertrade as a way of

rectifying bilateral trade deficits with communist nations. The use of countertrade in trade with developed nations, however, has been promoted for other reasons.

Less developed nations using countertrade (excepting China) are generally characterized by large trade deficits, often compounded by enormous foreign debt. Exchange rates in such nations are often fixed at unrealistically high levels. Realigned exchange rates would raise the price of all imports in these economies, in terms of the domestic currency, but, in terms of foreign currencies, would reduce the price paid for all exports. For various reasons, mainly political in nature, many third world nations would rather fix exchange rates and attempt to deal with balance-of-payments deficits by rationing the quantity of imports entering the country (through, for example, import licensing). Countertrade transactions circumvent rationing problems and avoid further increases in balance-of-payments deficits for certain sectors or groups in LDC economies by using approximate international market or "real exchange" values (ignoring for the moment the transactions and marketing costs associated with countertrade) for selected import transactions. By tying the purchase of imports to some internationally set value of exports, there is less net effect on the balance-of-payments situation and less pressure to alter the fixed exchange system.

(c) Countertrade and the Pacific Rim

Among Pacific Rim nations, Indonesia, Malaysia, Thailand and China have frequently used countertrade policies. In Malaysia and Thailand, countertrade, usually in the form of barter or counterpurchase agreements, is used as an informal way of bilaterally balancing trade for reasons mentioned above. In Indonesia, a similar problem exists. Declining petroleum and non-petroleum merchandise exports have created severe balance-of-payments problems which have already forced a drastic devaluation of the currency. Countertrade measures have been introduced (along with a variety of other policy measures to promote non-petroleum exports) in an effort to prevent further devaluation. Indonesia uses countertrade on all government funded or state owned company contracts valued at over $800,000 (excluding foreign aid). So far Indonesia is the only LDC to systematically introduce countertrade requirements in this manner. In China, countertrade usually takes the form of import compensation agreements involving the establishment of joint venture production undertakings. Western companies will supply capital goods not readily available in China and receive payment in the form of resultant output. It is seen largely as a way of developing technological expertise.

3. Countertrade's Potential for the Future

In light of the small proportion of total world trade accounted for by LDC and eastern bloc countertrade transactions, one should question the importance of the countertrade phenomenon in terms of its expected growth and longevity. Some economists have argued that the growth of countertrade is the result of temporary economic difficulties resulting largely from the current international debt problems, others, mainly in the commercial community, have stated that countertrade is a permanent phenomenon which will take an increasing

proportion of world trade in future years. Looking at the evolution and reasons for countertrade use among the forementioned nations, there is support for both of these views.

Among eastern bloc nations, countertrade use has expanded rapidly and will probably continue to expand in future years. During the mid-1970's state agencies in the eastern bloc responsible for international trade began to pressure western exporters for more countertrade. They also began to raise standard counterpurchase ratios for many countertrade transactions. The use of countertrade coincided with growing foreign debt problems of some eastern bloc nations with ambitious economic growth plans. Many countertrade transactions at this time were of the "buy-back" variety - they were used to import technologically advanced capital equipment not readily available in the east. During this decade; however, the composition of countertrade transactions has, to some extent, changed away from this type of transaction towards counterpurchase arrangements using manufactured goods produced in the eastern bloc. It seems that many eastern-bloc nations are relying on the expertise of western business to market manufactured products. This expertise is of considerable value to nations without the infrastructure and knowledge to aggressively market products in the west. In future, if east-west interaction is to expand, it is probable that the use of countertrade transactions will increase: they are well suited to the interaction of market economies with centrally planned ones. If for political reasons interaction of east and west does not increase, the use of countertrade will probably diminish.

Among less developed countries, the use of countertrade has been seen by many to be one of economic need - a last-ditch attempt to alleviate problems associated with high foreign debt and precarious balance of payments positions. It has often been shown, however, that from an economic standpoint countertrade is unlikely to be the best solution to an LDC's economic problems, and in many instances may actually do more harm then good. Countertrade is a costly and wasteful way of conducting trade in the third world. Western exporters often mark up the value of export sales as much as 40% as a premium for handling countertrade commodities. This means that the real cost of imports to LDC's is much higher than it would be under, for example, a flexible exchange rate system.

Will LDC's turn increasingly towards countertrade in the future? This depends on the world economic outlook and political forces at work within less developed nations. If the world economy strengthens markedly within the next few years, increased demand for exports from LDC's may resolve the balance of payments difficulties which gave rise to increased countertrade use. A worsening world economy, on the other hand, will initially induce more LDC's to adopt countertrade (though in the long run political pressure within these countries may force the adoption of more effective policies). In any event, viewing the current magnitude of countertrade use, it seems unlikely that the growth of countertrade within LDC's will be large enough to create a large mark on world trade within the next few years.

4. Government Policy and Countertrade

In the past the Canadian federal government has not defined a clear policy position with regard to countertrade transactions. This is probably because the use of countertrade has been of relatively minor significance for Canadian trade and because promotion of countertrade may be construed as encouragement for its extension. Countertrade transactions, apart from their inefficiencies, present dangers to the multilateral trade and payments system. Countertrade transactions can be used, in fact, to circumvent the principles and obligations imposed by the General Agreement on Tariffs and Trade (on dumping for example). Canada, as an exporting nation, is firmly committed to those principles. On the other hand, a growing awareness in the Canadian commercial community in recent years to increased supplier competition in Canadian export markets makes the establishment of government policy of some importance.

Though countertrade is not a practise that Canada should encourage, it is important that Canadian exporters be aware of its existence and be able to cope with countertrade deals. For Canadians, and expecially Canadian exporters, a countertrade transaction is usually preferable to no transaction at all. Countertrade deals have often turned out to be very profitable for the Canadian firms involved. For this reason it is in Canada's economic interest that current and reliable information on countertrade be made available to the Canadian export community. In view of the importance placed on export enhancement by government, such information would be a desirable and relatively costless way to enhance government export programs.

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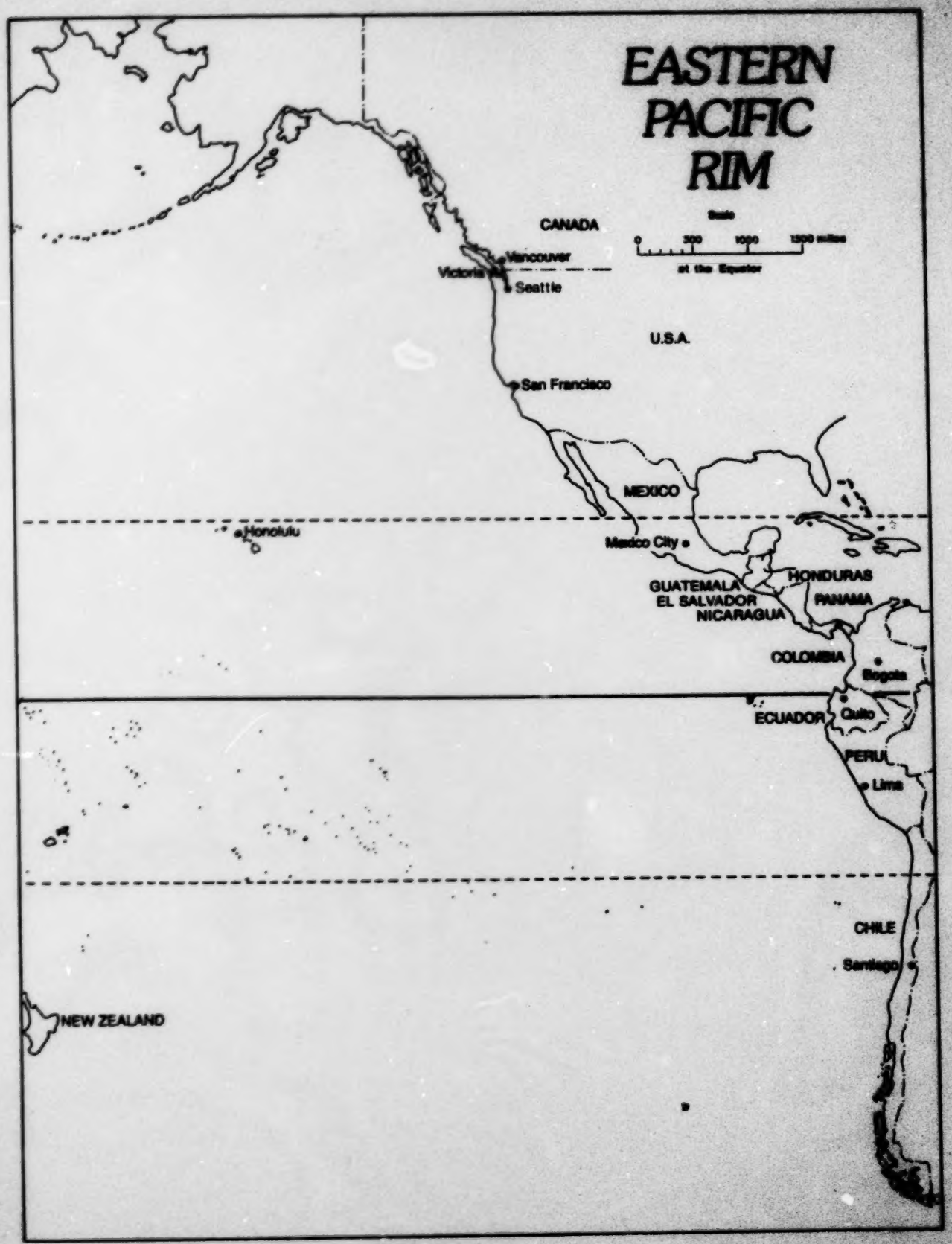
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